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744458
Sup. Ct.

Vol. I

TRANSCRIPT OF RECORD

(Pages 1 to 536)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 733

INTERSTATE NATURAL GAS COMPANY, INCORPORATED, PETITIONER,

vs.

FEDERAL POWER COMMISSION, LOUISIANA, PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, AND CITY OF BATON ROUGE, LOUISIANA

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI FILED NOVEMBER 30, 1946.

CERTIORARI GRANTED FEBRUARY 10, 1947.

UNITED STATES OF AMERICA,

UNITED STATES CIRCUIT COURT OF APPEALS,
FIFTH JUDICIAL CIRCUIT:

PLEAS AND PROCEEDINGS had and done at a regular term of the United States Circuit Court of Appeals for the Fifth Circuit, begun on the third Monday in November, A. D. 1945, at New Orleans, Louisiana, before the Honorable Samuel H. Sibley, the Honorable Joseph C. Hutcheson, Jr., and the Honorable Curtis L. Waller, Circuit Judges:

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

Be It Remembered, That heretofore, to-wit, on the 13th day of August, A. D. 1943, a transcript of the record in the above styled cause, pursuant to a petition for review of the Order of the Federal Power Commision, Washington, D. C., was filed in the office of the Clerk of the said United States Circuit Court of Appeals for the Fifth Circuit, said case having been docketed on June 14th, 1943, in said Circuit Court of Appeals as No. 10701, as follows, to-wit:

VOLUME I.
TRANSCRIPT OF RECORD.

UNITED STATES
CIRCUIT COURT OF APPEALS

FIFTH CIRCUIT.

No. 10,701

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

Petitioner,

versus

FEDERAL POWER COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, CITY OF NEW ORLEANS, LOUISIANA, CITY OF BATON ROUGE, LOUISIANA,

Respondents.

Petition for Review of an Order of the Federal Power Commission, Washington, D. C.

(ORIGINAL RECORD RECEIVED AUG. 13/43.)

U. S. CIRCUIT COURT OF APPEALS
FILED
FEB 12 1946
Gatley J. Dodd
CLERK

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IN THE
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JOINT STIPULATION OF COUNSEL AS TO PRINTING RECORD.

Filed Nov. 13, 1945.

IN THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

Petitioner,

v.

FEDERAL POWER COMMISSION, ET AL.,

Respondent.

No. 10701.

Now Comes Interstate Natural Gas Company, Incorporated (herein referred to as "Interstate"), Petitioner herein, the Federal Power Commission and the other parties to the review proceedings above captioned, whose joinder herein is indicated by their signatures hereto, and stipulate in substitution for and in lieu of the stipulation heretofore filed in this Court respecting the designation of the printed record, that the printed record in the review proceedings above captioned shall contain the following, and the undersigned hereby designate the following as the printed record in the above captioned review proceedings:

Pleas and Proceedings in United States Circuit Court of Appeals.

1. The Petition for Review filed herein June 14, 1943, omitting therefrom

(a) under Part C, entitled "The Points On Which the Petitioner Intends to Rely", the paragraphs numbered 1, 5, 6, 7, 8, 9, 10, 11, 12, 14, 16, 24, 25, 27 and 28; also omit paragraphs numbered 13, 15, 17 to 23 inclusive, 26 and 31;

(b) signatures of counsel, verification; and

(c) the exhibits attached to the Petition.

2. Response of Federal Power Commission to Petitioner's Prayer for Stay filed June 14, 1943.

3. Order of Court entered June 14, 1943 staying Order of Federal Power Commission entered April 27, 1943 as modified by Orders entered May 11 and June 9, 1943.

Transcript of Pleas and Proceedings Before the Federal Power Commission.

References herein will be to the volume and page of the official record as filed by the Federal Power Commission under Certificate dated August 9, 1943.

4. Petition of Louisiana Public Service Commission. Volume IX, pages 3849 through 3859. Print the following statement:

"Copy of Order No. 2090 in Proceeding No. 2720 attached to Complaint is same as Exhibit No. 1, pages 1168 through 1174 hereafter printed."

5. Answer of Defendant. Volume IX, pages 3868 through 3876, omitting signatures. Also, pages 3878 through 3881.

6. Order instituting investigation. Volume IX, pages 3883 and 3884.

7. Order Consolidating Proceedings. Volume IX, pages 3907 and 3908.

8. Opinion No. 91 entered and filed April 27, 1943. Volume IX, pages 3938 through 3974.

9. Petition of Interstate Natural Gas Company, Incorporated for Stay and Modification of Commission Order. Volume IX, pages 3978 through 3980.

10. Order extending time of filing schedules. Volume IX, pages 3983 and 3984.

11. Petition for Rehearing of Interstate Natural Gas Company, Incorporated. Volume IX, pages 3986 through 4002, but omit therefrom the following paragraphs under the heading "Specification of Errors", viz: 1, 5, 6, 7, 8, 9, 10, 11, 12, 14, 16, 24, 25, 27, 28, 29 and 30. Omit signatures and verification and Certificate of Service.

12. Order of Commission entered June 9, 1943. Volume IX, pages 4005 and 4006.

13. The following excerpts from the Transcript of Hearings referred to as Items 1, 2 and 3 in the Certificate of J. H. Gutride, Acting Secretary of the Federal Power Commission, and constituting Volumes I and II of the Record filed by the Commission:

Commencing page 17, line 4 through page 18, line 21.

Commencing page 19, line 15 through page 22, line 17.

Commencing page 30, line 13 through page 36, line 21.

Commencing page 38, line 15 through page 48, complete.

Commencing page 49, line 1 through page 49, line 9.

Commencing page 55, line 21 through page 59, line 12.

Commencing page 64, line 12 through page 67, line 23.

Commencing page 68, line 12 through page 170, complete.

Commencing page 172, line 18 through page 203, line 10.

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Commencing page 329, line 23 through page 339, line 6.

Commencing page 359, line 25 through page 376, line 21.

Commencing page 392, line 9 through page 418, complete.

Commencing page 420, line 6 through page 427, line 4.

Commencing page 427, line 17 through page 428, line 16.

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Commencing page 440, line 1 through page 450, line 19.

Commencing page 452, line 2 through page 452, line 4 end of sentence.

Commencing page 452, line 14 through page 454, line 11.

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Commencing page 464, line 13 through page 469, line 2.

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Commencing page 503, line 24 through page 515, line 14.

Commencing page 517, line 5 through page 563, complete.

Commencing page 580, line 20 through page 581, line 3.

Commencing page 745, line 20 through page 746, line 20.

Commencing page 748, line 3 through page 749, line 7.

Commencing page 824, line 17 through page 824, line 20.

Commencing page 825, line 8 through page 830, line 8.

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Commencing page 853, line 10 through page 875, line 9.

Commencing page 1055, line 2 through page 1111, line 11.

Commencing page 1145, line 11 through page 1166, complete.

14. The following designation relates to the portion of the exhibits to be printed, all listed under Item 4 in the Certificate of J. H. Gutride, Acting Secretary of the Federal Power Commission, and constituting Volumes III through IX of the official record ending at page 3848. References made will give the Exhibit Number and the volume and page of the official record. There should be printed the Exhibit Number preceding the excerpt from that exhibit, omitting all formal designations and captions.

Exhibit 1, complete.

Exhibit 3, pp. 1178 through 1194.

Exhibit 4, pp. 1196 through 1212.

Exhibit 5. Sufficient photostatic copies on a reduced scale and without coloring will be furnished to the printer for inclusion in the record in accordance with the request of the Clerk made under date of November 3, 1943. These copies will not be colored.

Exhibit 6. Sufficient photostatic copies on a reduced scale and without coloring will be furnished to the print-

er for inclusion in the record in accordance with the request of the Clerk made under date of November 3, 1943. These copies will not be colored.

Exhibit 8, complete.

Exhibit 39, complete.

Exhibit 42, pp. 2330 through 2369.

Exhibit 43, complete. Photostats of this exhibit on a reduced scale will be furnished for inclusion in the record pursuant to the request of the Clerk under date of November 3, 1943.

Exhibit 45, complete. Photostats of this exhibit on a reduced scale will be furnished for inclusion in the record pursuant to the request of the Clerk under date of November 3, 1943.

Exhibit 49, pp. 2455 through 2483; pp. 2487 through 2494; and pp. 2498 through 2505. Photostats of the maps at pp. 2463 and 2472 and of the diagrams at pp. 2482 and 2483 will be furnished for inclusion in the record in accordance with the request of the Clerk made under date of November 3, 1943. These copies will not be colored.

Exhibit 50, pp. 2511 through 2521. Print the following statement: "Page 2522 is the same as page 2463".

Exhibit 51, pp. 2525 through 2530.

Exhibit 56, pp. 2580 through 2593.

Exhibit 57, pp. 2689 through 2719.

Exhibit 57A, pp. 2721 through 2725.

Exhibit 59, pp. 2740 through 2750; p. 2758; and pp. 2765 through 2769.

Exhibit 60, pp. 2778 through 2784.

Exhibit 62A, pp. 2809 through 2827; and pp. 2841 through 2843.

Exhibit 63, pp. 2958 through 2968; and pp. 2971 through 2973.

Exhibit 64, pp. 3014 through 3025, line 9.

Exhibit 65, pp. 3035 through 3055; and pp. 3058 through 3059.

Exhibit 89, pp. 3437 through 3445.

Exhibit 90, complete.

Exhibit 91, complete.

15. It is expressly stipulated that in the event any of the parties hereto shall find it necessary or proper to refer to the Official Record filed with the Court by the Commission, the filing of this Stipulation, and the printed record in pursuance thereof, shall in no wise prejudice the right so to do.

Dated this 23rd day of October, 1945.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,

By WILLIAM A. DOUGHERTY,
ALDEN T. SHOTWELL,
C. R. B.,
HENRY P. DART, JR.,
H. GRADY PRICE,
Its Attorneys.
FEDERAL POWER COMMISSION,
By HARRY S. LITTMAN,
Assistant General Counsel,
Its Attorneys.
LOUISIANA PUBLIC SERVICE COMMISSION,
By FRED S. LeBLANC,
Attorney General,
B. C. PERRAULT,
First Asst. Attorney General,
R. H. LEE,
Special Asst. Attorney General,
Its Attorneys.
CITY OF NEW ORLEANS, LOUISIANA,
By FRANCIS P. BURNS,
City Attorney,
(Illegible)
WARREN O. COLEMAN,
Its Attorneys.
CITY OF BATON ROUGE, LOUISIANA,
By ROLAND C. KIZER,
Its Attorneys.

STIPULATION WITHDRAWING CERTAIN ASSIGNMENTS OF ERROR.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, a Corporation, Petitioner,

v. No. 10,701.

Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, Respondents.

It is hereby stipulated and agreed by and between the undersigned counsel for Petitioner, Interstate Natural Gas Company, Incorporated, and counsel for the Federal Power Commission, as follows, relative to the petition herein of Interstate Natural Gas Company, Incorporated, to review and set aside an order of the Federal Power Commission:

1. That Petitioner's Assignments of Error Nos. 1, 5 to 28 inclusive, and 31, and each of them be and the same are hereby withdrawn.

3. That Petitioner's Assignments of Error Nos. 29 and 30 be and the same are hereby withdrawn insofar as they relate to Petitioner's rates charged for the transportation of natural gas for, and the sale of natural gas to, United Gas Pipe Line Company for resale in the New Orleans area.

3. That Petitioner's Assignment of Error No. 32 and the same is hereby withdrawn insofar as it relates to the points covered by the Assignments of Error referred to in Paragraphs 1 and 2 hereof.

4. That this stipulation is to be printed as a part of the record in this cause.

Dated: October 22nd, 1945.

WILLIAM A. DOUGHERTY,
Counsel for Petitioner.
HARRY S. LITTMAN,
Counsel for Respondent, Federal Power Commission.

PETITION OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED TO REVIEW AND SET ASIDE AN ORDER OF THE FEDERAL POWER COMMISSION.

10 Filed June 14, 1943.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, a Corporation, Petitioner,

v. No. 10,701.

Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, Respondents.

To the United States Circuit Court of Appeals for the Fifth Circuit and the Honorable Judges Thereof:

Interstate Natural Gas Company, Incorporated, a Delaware corporation, hereinafter referred to as Petitioner, being aggrieved by an Order of the Federal Power Commission (herein referred to as the Commission) dated April 27, 1943, respectfully petitions this Honor-

able Court to review and set aside said Order; and in support of its Petition respectfully represents and shows:

A.

The Nature of the Proceedings as to Which Review is Sought.

The Order of the Commission which your Petitioner now seeks to have reviewed and set aside, was entered after a hearing in two consolidated proceedings brought against Petitioner. The proceedings were instituted and the Order made purportedly under the authority of and in accordance with the terms of the Act of Congress known as the Natural Gas Act (Act of June 21, 1938, c. 556, 52 Stat. 824). These proceedings were entitled and docketed before the Commission as follows: "Louisiana Public Service Commission, Complainant, v. Interstate Natural Gas Company, Incorporated, Defendant, Docket No. G-132"; and "In the Matter of Interstate Natural Gas Company, Incorporated, Docket No. G-149".

Case No. G-132 was instituted May 23, 1939 by the filing of a complaint by the Louisiana Public Service Commission against this Petitioner. Said complaint in general alleged that the prices being charged by Petitioner for the sale of gas to public utilities and municipally owned distributing systems in the State of Louisiana were unreasonable and unlawful and prayed that these rates be reduced. To that complaint Petitioner filed an answer denying the allegations thereof.

Case No. G-149 was instituted December 5, 1939 by the Federal Power Commission on its own motion. This was a general investigation of the reasonableness of all the interstate wholesale rates and the transpor-

tation rates of Petitioner subject to the jurisdiction of the Commission. In this proceeding, Petitioner denied that its rates were unjust and unreasonable and claimed that all sales of natural gas made by it in the field to certain pipe line customers were wholly exempt from the jurisdiction of the Commission by reason of the fact that the same were made as a part of the production and gathering of natural gas.

The two cases were consolidated for the purpose of the hearing and the City of New Orleans and the City of Baton Rouge, Louisiana were permitted to intervene and take part therein. Public hearings were held at intervals during June and July of 1942, evidence was presented by all parties and the hearing closed. The record consists of approximately 1,000 pages of oral testimony and 103 exhibits. Briefs were filed and oral argument had.

On April 27, 1943, the Commission rendered Opinion No. 91 and entered an Order, a copy of which Opinion and Order is attached hereto as Exhibit "A" and by reference made a part hereof, served upon Petitioner on May 1, 1943, in which Opinion and Order the Commission finds that the prices being charged for natural gas sold to certain designated customers were unjust and unreasonable and that after making allowance for certain reductions reflecting a total reduction of $1,100,345 on the basis of the volumes of gas sold and transported under Federal regulation during the year 1941. Said schedules were ordered to be filed on or before May 15, 1943. Pursuant to a request made therefor, the time for filing such schedules was extended to June 15, 1943 by Order entered May 11, 1943, a copy of which is attached hereto as Exhibit "B" and by reference made a part hereof.

On May 18, 1943, your Petitioner filed with the Commission its "Petition for Rehearing of Interstate Natural Gas Company, Incorporated". By Order entered on June 9, 1943, the Commission modified said Order of April 27, 1943, in one respect, thereby fixing the reduction of rates at $1,091,583 instead of $1,100,345, and otherwise denied said Petition for Rehearing. A copy of said Order is attached hereto as Exhibit "C" and by reference made a part hereof.

B.

The Facts and Statute Upon Which Venue is Based.

The statute upon which venue in this case is based, is Section 18 (b) of the Natural Gas Act; Act of June 21, 1938, c556, 52 Stat. 833; Section 717r (b), Title 15 U. S. C. A., the pertinent part of which reads:

"Any party to a proceeding under this chapter aggrieved by an order issued by the Commission in such proceeding, may obtain a review of such order in the Circuit Court of Appeals of the United States for any circuit wherein the natural gas company to which the order relates is located or has its principal place of business * * *."

Petitioner is a private corporation organized and existing under the laws of the State of Delaware and is qualified to do business in the State of Louisiana. It owns and operates natural gas and mineral rights, many producing wells and gathering lines in the Monroe Field in Northern Louisiana and also owns and operates a main transmission natural gas pipe line commencing at a point in the Monroe Field and extending through the State of Louisiana to a point opposite Natchez, Missis-

sippi, then crossing the Mississippi River and continuing southwardly in the State of Mississippi and re-entering the State of Louisiana and terminating at a point just north of the City of Baton Rouge, Louisiana. Its operating office, principal place of business and its Manager are situated at Monroe, Louisiana. All of its physical properties are located and all of its sales take place within territory within the Fifth Circuit.

C.

The Points on Which the Petitioner Intends to Rely.

With respect to each and every point hereinafter stated, Petitioner asserts that each of the errors herein specifically assigned operates to confiscate and take Petitioner's property without just compensation, and to deprive Petitioner of such property without due process of law, contrary to the Fifth Amendment to the Constitution of the United States, and that none of the findings of the Commission hereinafter challenged is based upon the substantial evidence required by the Natural Gas Act, and each is contrary to the evidence and contrary to law.

2.

The Commission erred in paragraph 7, 8, 9 and 10 of said Order in finding that Petitioner is engaged in the transportation, sale and delivery of natural gas, subject to the jurisdiction of the Commission, by reason of sales made to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company,

and erred in finding that such natural gas is transported and sold within the meaning of the Natural Gas Act.

3.

The Commission erred in failing to find that the sale and delivery of natural gas in the Monroe Field to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company in each instance is exempt from the jurisdiction of the Commission under the Natural Gas Act by reason of the fact that said gas is produced and gathered in the Monroe Field and deliveries are made in said field as a part of Petitioner's business of the production and gathering of natural gas in said Monroe Field.

Petitioner says that the sale and delivery of natural gas made to each of said companies, in each instance, is made in a method identical with the method employed by Columbian Fuel Corporation in making sales of natural gas which the Commission held were made in the production and gathering of natural gas and therefore exempt from the Commission's jurisdiction by reason of the provisions of Section 1 (b) of the Natural Gas Act. (See In Re: Columbian Fuel Corporation, 35 P. U. R. (N. S.) 3.)

In failing to make a similar finding in respect of the sales of natural gas to each of said companies, the Commission has made an arbitrary distinction and one without legal justification, and in so doing has deprived Petitioner of its property contrary to the Due Process Clause of the Fifth Amendment to the Constitution of the United States.

4.

The Commission erred in its finding made in its Opinion, commencing at the bottom of page 5 and extending through to the middle of page 9, wherein the Commission found that Petitioner does not consider its transportation lines as something separate from its field lines and that natural gas which Interstate receives from other producers in the Monroe Field is then transported by Interstate together with the gas which it produces and gathers, and erred in finding that the movement of this commingled gas to the points of sale and delivery to the three pipe line companies named constitutes a transportation and sale of natural gas in interstate commerce within the jurisdiction of the Commission.

29.

The Commission erred in Paragraph A of said Order in ordering Petitioner to decrease its rates and charges to reflect a reduction in rates which, applied to the 1941 volume of sales, will be not less than $1,100,345 annually, revised by Order entered June 9, 1943 to $1,091,583, and erred in Paragraph B in ordering Petitioner to file schedules of rates and charges to reflect said reduction.

30.

The Commission erred in Paragraph D of said Order in ordering Petitioner to cease and desist from making, demanding, or receiving any rates and charges on or after the effective date of the new schedules of rates

and charges required to be filed, which do not reflect the reductions ordered in said Order.

* * * * * *

Wherefore, Petitioner prays:

(a) That a copy of this petition forthwith be served upon some member of Respondent, Federal Power Commission, in pursuance of Section 18 (b) of the Natural Gas Act (Act of June 21, 1938, c556, 52 Stat. 833; Sec. 717r (b), Title 15 U. S. C. A.), and that all parties respondent herein be served with a copy of said petition.

(b) That Respondent, Federal Power Commission, be required, in conformity with said Act, to certify and file with the Court a transcript of the record upon which the Order now sought to be reviewed was entered, including the testimony, evidence, exhibits, pleadings, opinions, findings, conclusions and orders of said Respondent in the two dockets above referred to.

(c) That this Court review said proceedings, and that said Order of April 27, 1943, as modified, be reversed, vacated, set aside and held for naught.

(d) That, pending such review, and until final determination of such proceedings, an Order be entered staying the operation and effect of the Federal Power Commission's Order dated April 27, 1943, as modified, pending the judicial review of said proceedings upon such terms and conditions as may be prescribed by the Court.

(e) That this Court exercise its jurisdiction over the parties and subject matter of this petition, and grant to

Petitioner such other and further relief in the premises as the rights and equities of the cause may require.

INTERSTATE NATURAL GAS COMPANY, INCORPORATED,
Petitioner.

ORDER TO FILE PETITION FOR REVIEW.

27 Filed June 14, 1943.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, Petitioner;

vs. No. 10,701.

Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, Respondents.

A petition for review of the Order of the Federal Power Commission, entered April 27, 1943, in consolidated proceedings entitled "Louisiana Public Service Commission, Complainant, v. Interstate Natural Gas Company, Incorporated, Defendant, Docket No. G-132"; and "In the Matter of Interstate Natural Gas Company, Incorporated, Docket No. G-149", having been presented to this Court;

It Is Ordered that said petition be filed and docketed as of June 14, 1943;

And it is further ordered that a copy of this order and said petition be forthwith served upon the Federal Power Commission, and that said Federal Power Commission, upon service of such copies, forthwith certify and file in this Court a transcript of the entire record in the proceeding, in conformity to Rule 38 of this Court.

(Signed) E. R. HOLMES,
United States Circuit Judge.

New Orleans, Louisiana, June 14, 1943.

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28 ORDER GRANTING STAY.

Filed June 14, 1943.

In the United States Circuit Court of Appeals for the Fifth Circuit.

Interstate Natural Gas Company, Incorporated, a corporation, Petitioner,
v. No. 10,701.
Federal Power Commission, Louisiana Public Service Commission, City of New Orleans, Louisiana, City of Baton Rouge, Louisiana, Respondents.

This matter comes before the Court upon the petition of Petitioner, Interstate Natural Gas Company, Incorporated, to review an Order of the Federal Power Commission and the prayer therein for a stay of the Order of said Commission entered April 27, 1943, as modified by orders entered May 11, 1943 and June 9, 1943, in causes G-132 and G-149 on the docket of said Commission pending review of said Order by this Court, a copy of which Order is attached to said petition as Exhibit

"A", and modifications thereof are attached to said petition as Exhibits "B" and "C".

It appearing that each of the Respondents herein have been notified of this hearing and counsel for each has been furnished with a copy of the petition filed herein and all parties having been heard, the Court hereby orders that said Order of the Federal Power Commission, as modified, be and the same hereby is stayed and suspended until the further Order of this Court, upon the conditions following:

(1) The monthly difference between payments to Petitioner under existing rates or arrangements and those required under the Order of the Commission shall be promptly paid into the registry of this Court under the provisions of Sec. 995 of the Revised Statutes of the United States (28 U. S. C. A. 851). For gas billed in any particular month the deposit shall be made not later than the 30th day of the succeeding month, the first deposit to be made not later than July 30th, 1943 for the month of June 1943.

The amounts so deposited shall remain on deposit subject, however, to the further Order or Orders of this Court to be returned to such ultimate consumers of gas, or other persons to whom the Court shall find the same should be returned, as contemplated by the provisions of the Natural Gas Act. Upon receipt of each deposit the Clerk of this Court shall notify the Federal Power Commission stating the amount of such deposit and the total amount then on deposit in said fund.

(2) The entire expenses of impounding these funds shall be borne by Petitioner.

(3) No interest shall be charged Petitioner upon such impounded funds unless allowed upon application hereafter made by Respondents or any of them. Such future applications may be made only

(a) if and when Petitioner fails to prosecute this error proceeding with due diligence, or

(b) if and when this Court shall enter its decree and order sustaining the above Order of the Commission and shall deny any petition for rehearing which may be filed thereto.

Any interest allowed hereafter shall be at such rate as will be fixed by further Order of the Court.

(4) Full power and jurisdiction is reserved to cancel or modify this Order and to enter any other orders (with or without application of the parties) to protect or to promote the rights and interests of the parties to this litigation and of the ultimate consumers or other parties financially interested in the impounded funds.

It Is Further Ordered that the Clerk of this Court is directed to transmit a copy of this Order to each of the parties to this proceeding or to their counsel.

Dated: June 14, 1943.

OK: As to form.

(Signed) EDW. H. LANGE,
Attorney for Respondent,
Federal Power Commission.

(Signed) NAT B. KNIGHT, JR.,
La. Pub. Serv. Comm.

(Signed) EDWARD RIGHTOR,
(Signed) FRANCIS P. BURNS,
(Signed) WARREN O. COLEMAN,
Attorneys for The City of New Orleans.
(Signed) ALDEN T. SHOTWELL,
(Signed) HENRY P. DART, JR.,
(Signed) H. GRADY PRICE,
Attorneys for Petitioner.

Approved for the Court:
(Signed) E. R. HOLMES,
Presiding Judge.

31

PETITION.

Federal Power Commission. Received May 23, 1939.

Before the Federal Power Commission.

Docket No. G-132.

To the Federal Power Commission:

Your petitioner, Louisiana Public Service Commission, pursuant to Section 13 of the Natural Gas Act of 1938, respectfully makes the following representations:

1.

That the Louisiana Public Service Commission is a commission organized and existing under Article VI of the Constitution of the State of Louisiana, and is a State Commission within the meaning of Section 13 of the

Natural Gas Act of 1938; and that its principal office is in the State Capitol at Baton Rouge, Louisiana.

2.

That Interstate Natural Gas Company, Incorporated (hereinafter called Interstate) is a corporation organized and existing under the laws of the State of Delaware; that its principal office in the State of Delaware is at 7 West Tenth Street, Wilmington, Delaware, and that its principal office otherwise is at 30 Rockefeller Plaza, New York City; that it is authorized by the States of Louisiana and Mississippi to do business in those States; that it owns leases and gas rights for approximately 60,000 acres of land in the Monroe gas field of northeastern Louisiana; that it also owns a pipe line approximately 171.61 miles in length, constructed primarily of 22 inch pipe, extending from Fowler, Louisiana, in a southeasterly direction through Louisiana a distance of approximately 91.17 miles to the Mississippi River, thence across said river into the State of Mississippi at a point approximately three miles below the city of Natchez, thence in a southeasterly direction through Mississippi a distance of approximately 43.92 miles to the boundary between Mississippi and Louisiana, thence in a southerly direction through Louisiana a distance of approximately 36.52 miles to North Baton Rouge; that it also owns producing equipment, field lines, compressor stations and other property concerned with the production and transportation of natural gas; that it produces and purchases natural gas in the Monroe gas field and transports and sells natural gas partly in intrastate commerce within the State of Louisiana and partly in interstate commerce; that the natural gas which it sells both in intrastate and in interstate commerce is largely for resale to the public; and that it is a natural gas company engaged in part

in the transportation of natural gas in interstate commerce and the sale in interstate commerce of such gas for resale, within the meaning of Section 2 (6) of the Natural Gas Act.

3.

That the authorized capital stock of Interstate, according to its certificate of incorporation, is one million shares without par value; that 952,953 shares are outstanding; that 514,266 or approximately 54 percent of the outstanding capital shares are owned by Standard Oil Company of New Jersey and 164,807 shares or approximately 17 percent are owned by Columbian Carbon Company.

4.

That Interstate was cited by this Commission in June, 1937, in Case No. 2720, Louisiana Public Service Commission vs. Interstate Natural Gas Co., Inc., in re Rates, Charges and Practices for Gas Service within the State of Louisiana; that on June 26, 1937, Interstate filed with this Commission an exception to its jurisdiction. Hearings were held on November 28, 1938, and January 19, 1939, at which testimony and argument on jurisdiction were heard; a brief for the company was also filed by its attorneys, contending that although the Louisiana Public Service Commission has jurisdiction over common carrier pipe lines and public utilities, Interstate is legally neither a common carrier pipe line nor a public utility, and contending also that its business is so predominantly interstate in character as to leave this Commission without jurisdiction. On February 1, 1939, this Commission issued its Order No. 2090, finding that Interstate is a public utility with both interstate and intra-

state business and that as to the latter it is subject to our jurisdiction. (Copy of Order No. 2090 is attached hereto.)

5.

That in the twelve-month period ending June 30, 1938 (or, in some instances, the twelve-month period from June 26, 1937 to June 25, 1938), according to Interstate Exhibit B-29 in Case No 2720, previously referred to, which Exhibit constitutes Interstate's answer to the questionnaire authorized by your honorable Commission's Order No 51, Interstate produced 24,151,967 M cu. ft. (24,151,967,000 cubic feet) of natural gas, in the Monroe gas field; that it purchased 20,055,782 M cu. ft. from other companies or individuals in the Monroe field; that it received from United Gas Pipe Line Company for transportation 20,652,127 M cu. ft. at Fowler, La., in the Monroe field (of which it appears that 7,008,775 M cu. ft. was purchased from Interstate) and 1,622,000 M cu. ft. at Alto, La., in the Richland field, or a total of 22,274,127 M cu. ft., and after transporting said gas delivered the same to United Gas Pipe Line Co. at Scotland, La., near Baton Rouge, from which point a pipe line of United Gas Pipe Line Co. extends to New Orleans, La.; that Interstate sold 44,564,493 M cu. ft. to 35 customers, including other natural gas companies, local distributing companies, municipalities, public institutions and industrial companies; that out of said 44,564,493 M cu. ft. the following quantities were for ultimate public consumption:

Account	M Cubic Feet	Point of Delivery
Arkansas-Louisiana Gas Co.	318,162	Monroe Field
Mississippi River Fuel Cor.	5,095,411	Monroe Field
Southern Natural Gas Co.	5,153,629	Monroe Field
United Gas Pipe Line Co.:		
Dixie Gulf Gas Co.	1,674,544	Monroe Field
Memphis Natural Gas Co.	3,208,420	Monroe Field
United Gas Pipe Line Co. (account New Orleans)	7,008,775	Monroe Field
Louisiana Power & Light Co.	40,955	Wisner, Gilbert & Ferriday, La.
Peck Gas Co.	4,062	Peck, La.
Sicily Island Gas Co.	10,595	Sicily Island, La.
Town of Vidalia	12,463	Vidalia, La.
Mississippi Power & Light Co.	174,723	Natchez, Miss.
Buffalo Gas Co.	1,255	Wilkinson, Miss.
Town of Woodville	19,836	Woodville, Miss.

Town of Jackson	11,107	Jackson, La.
Town of Zachary	2,978	Zachary, La.
Baton Rouge Electric Co.	868,429	Baton Rouge, La.
Suburban Public Service, Inc.	14,004	Baton Rouge, La.
Village of Gonzales	7,012	Gonzales, La.
Reserve Public Utilities Corp.	12,127	Reserve, La.
LaPlace Gas & Fuel Co.	5,003	LaPlace, La.
Norco Gas & Fuel Co.	12,883	Norco & Destrehan, La.
	23,656,373	

The 23,656,373 M cu. ft. of gas which is stated to be for ultimate public consumption constitutes 53% of the total of 44,564,493 M cu. ft. delivered. It should be noted further that 8,558,553 M cu. ft. not included above was sold to the Louisiana Steam Generating Corporation at Baton Rouge, as fuel for the generation of steam and electric energy; much of the electric energy thus generated was sold to affiliated companies which distribute this energy to the general public in Baton Rouge and elsewhere. Since 1937 Louisiana Steam Generating Company, Baton Rouge Electric Company and other companies have been consolidated into the Gulf States Utilities Company. It should further be noted that in addition to the 53% or more that was ultimately used for public consumption, out of the 44,564,493 M cu. ft. that was disposed of to the 35 customers as aforesaid, a large part of the 22,274,127 M cu. ft. that was transported for the account of United Gas Pipe Line Co. was for ultimate public consumption, in New Orleans or elsewhere, in addition to the 7,008,775 M cu. ft. purchased from Interstate by United, account New Orleans, which is apparently included in the 22,274,127 M cu. ft. transported to New Orleans or vicinity. Thus the business of Interstate is predominantly the furnishing and transporting of natural gas for resale to the public.

6.

That of the 44,564,493 M. cu. ft. sold to the 35 customers as aforesaid, the total amount alleged to have been ultimately sold outside of the state of Louisiana was 15,673,475 M cu. ft. or approximately 35 per cent, as follows:

Account	M. Cu. Feet	Point of Delivery
Arkansas-Louisiana Gas Co.	318,162	Monroe Field (La.)
Mississippi River Fuel Corp.	5,095,411	Monroe Field (La.)
Southern Natural Gas Co.	5,153,629	Monroe Field (La.)
United Gas Pipe Line Co.:		
Dixie Gulf Gas Co.	1,674,544	Monroe Field (La.)
Memphis Natural Gas Co.	3,208,420	Monroe Field (La.)
Mississippi Power & Light Co.	174,723	Natchez, Miss.
Buffalo Gas Co.	1,255	Wilkinson, Miss.
Town of Woodville	19,836	Woodville, Miss.
Danciger Oil & Refineries, Inc.	20,821	Wilkinson Co., Miss.
E. R. Owen	6,674	Wilkinson Co., Miss.
	15,673,475	

When there is added to the 44,564,493 M cu. ft. sold the 22,274,127 M cu. ft. transported for United, less the 7,008,775 M cu. ft. of this quantity which is apparently included in the 44,564,493 M cu. ft. of sales, the total gas handled by Interstate is seen to have been 59,829,845 M cu. ft. in the twelve-month period ending with June, 1938, of 15,673,475 M cu. ft. or approximately 26 percent was alleged to be for ultimate consumption outside of Louisiana.

7.

That the total quantity of natural gas transported by Interstate's main pipe-line in the twelve-month period ending with June, 1938, not including 22,458,941 M cu. ft. delivered directly in the Monroe field to Arkansas-Louisiana Gas Co., Mississippi River Fuel Corp., Southern Natural Gas Co. and United Gas Pipe Line Co. (for Dixie Gulf, Memphis and New Orleans) as set forth under Section 4 above, appears to have been 44,379,679 M cu. ft. divided as follows:

(a) Delivered in Louisiana before the pipe-line crosses the Mississippi River:

Operation of Richland Receiving Station, Alto, La.	3,305 M cu. ft.
United Gas Pipe Line Co. (for purging field lines, Ouachita Parish)	437 M cu. ft.
Louisiana Power & Light Co. (for Wisner, Gilbert and Ferriday)	40,955 M cu. ft.
Peck Gas Co.	4,062 M cu. ft.
Sicily Island Gas Co.	10,595 M cu. ft.
J. M. Jones Lumber Co., Ferriday	4,800 M cu. ft.
Town of Vidalia	12,463 M cu. ft.
Whitehall Plantation, Vidalia	1,607 M cu. ft.
	78,224

(b) Delivered in Mississippi:

Mississippi Power & Light Co. ..	174,723 M cu. ft.
Buffalo Gas Co.	1,255 M cu. ft.
Town of Woodville	19,836 M cu. ft.
Danciger Oil & Refineries, Inc. ...	20,821 M cu. ft.
E. R. Owen	6,674 M cu. ft.
	223,309

(c) Delivered in Louisiana after passing through Mississippi:

Town of Jackson	11,107 M cu. ft.
East Louisiana State Hospital, Jackson	286,079 M cu. ft.
Town of Zachary	2,978 M cu. ft.
Baton Rouge Electric Co.	868,429 M cu. ft.
Standard Oil Co. of La., Baton Rouge	5,663,149 M cu. ft.
Ethyl Gasoline Corp., Baton Rouge	445,238 M cu. ft.
Solvay Process Co., Baton Rouge .	2,731,054 M cu. ft.
Louisiana Steam Generating Corp., Baton Rouge	8,558,553 M cu. ft.
United Gas Pipe Line Co., Baton Rouge	22,274,127 M cu. ft.
Suburban Public Service, Inc.	14,004 M cu. ft.
Village of Gonzales	7,012 M cu. ft.
DeHass-Eby Lumber Co., Sorrento	556 M cu. ft.
Colonial Sugars Co., Gramercy ...	984,347 M cu. ft.
Godchaux Sugars, Inc., Reserve ...	2,201,500 M cu. ft.
Reserve Public Utilities Corp.	12,127 M cu. ft.
La Place Gas & Fuel Co.	5,003 M cu. ft.
Norco Gas & Fuel Co.	12,883 M cu. ft.
	44,078,146

Interstate's main pipe-line thus delivered in the State of Louisiana 78,224 M cu. ft. of gas which did not leave the state, and 44,078,146 M cu. ft. which left the state but re-entered it, and delivered 223,309 M cu. ft. in the State of Mississippi, together 44,379,679 M cu. ft.

8.

That Interstate's total capital investment at December 31, 1937, according to its balance sheet, was $19,588,-597.83; that amortization, depletion and depreciation reserves applicable to this investment amount to $7,377,-293.20, leaving a net investment of $12,211,304.63 in fixed capital, per balance sheet; that the net operating income reported by Interstate for the year 1937 was $2,-379,916.90, after deductions for taxes, depreciation, depletion and amortization (including $44,279.08 for amortization of unoperated acreage); that such net operating income constitutes a return of 12.1% on the gross undepreciated investment and 19.5% on the net investment, per balance sheet; that the capital investment includes unoperated and surplus property and appears otherwise to be excessive, from a preliminary investigation; and that the percentages of return would be greater if the investment and expenses were properly adjusted.

9.

That the depreciation deducted in arriving at the net operating income for 1937 was $772,862.70, and that this constitutes nearly 4.9% of the gross investment in plant and equipment, per balance sheet.

10.

That dividends on common stock in 1937 amounted to $2,477,677.80, at the rate of $2.60 per share of stock, and 38% on the book value of the common stock, which is

stated as $6,529,530 or approximately $6.85 per share. That the dividends reported by Moody's Public Utilities, up to December 15, 1938, have been as follows: 1930, 25¢; 1931, 25¢; 1936, $1.75; 1937, $2.60; 1938, $1.75; a total of $6.60. That unappropriated earned surplus at December 31, 1937, was stated to be $5,327,131.40 (after payment of the 1937 dividend), or over 81% of the book value of the stock. That over the ten-year period ending July 1, 1936, Interstate retired a bond issue of $11,500,000, dated July 1, 1926, by annual reductions; and that following the retirement of these bonds Interstate began the payment of large dividends upon the common stock.

11.

That inasmuch as the business of Interstate is both intrastate and interstate in character, and that as to the intrastate portion the Louisiana Public Service Commission has jurisdiction and as to the interstate portion the Federal Power Commission has jurisdiction, it is desirable and feasible that these two commissions cooperate in determining proper rates to be charged by Interstate to other utilities and to municipalities for the transportation and for the sale of natural gas for resale to the public; and that it is necessary for the proper and effective regulation of local gas distributing utilities in Louisiana that such proper rates or gate prices of natural gas for resale be determined, as provided for in Sections 5 (a) and 17 of the Natural Gas Act of 1938.

12.

That the rates and charges for natural gas and its transportation charged by Interstate to other public utilities and municipalities are unjust and unreasonable.

Wherefore, your petitioner requests:

1.

That Interstate be immediately ordered by your honorable Commission to appear and show cause why the rates charged by Interstate to other public utilities and municipalities in Louisiana for the transportation or sale of natural gas in interstate commerce should not be reduced.

2.

That an order be entered setting fair, reasonable and just rates for the transportation or sale of natural gas in interstate commerce by Interstate to other public utilities and municipalities in Louisiana.

Dated at Baton Rouge, Louisiana, the 10th day of May, 1939.

LOUISIANA PUBLIC SERVICE COMMISSION,

(Seal) By P. A. FRYE,
(P. A. Frye)
Secretary.

* * * * * *

Exhibit—Louisiana Public Service Commission Order #2090, dated 2/1/39, omitted from the printed record, pursuant to Joint Stipulation of Counsel as to Printing Record, copied at page 1, and in its place the following notation is made pursuant to said Stipulation as follows:

"Copy of Order No. 2090 in proceeding No. 2720 attached to Complaint is same as Exhibit No. 1, pages 1168 through 1174 hereinafter printed."

* * * * * *

50 ANSWER OF DEFENDANT, INTERSTATE NATURAL GAS COMPANY, INCORPORATED.

United States of America.

Federal Power Commission.

Louisiana Public Service Commission,
vs. Docket No. G-132.
Interstate Natural Gas Company, Incorporated.

Interstate Natural Gas Company, Incorporated, defendant herein, appearing specially for the purpose of denying jurisdiction of the Federal Power Commission (referred to herein as the "Commission") over defendant's rates and charges, make the following special plea:

I.

Defendant was organized under the laws of the State of Delaware on April 1, 1926 for the purpose of acquiring natural gas rights and properties in the Monroe gas field in northern Louisiana, drilling wells, producing, buying and selling natural gas, and constructing a pipe line from the Monroe field to the vicinity of Baton Rouge, Louisiana, for the primary purpose of supplying natural gas to a large petroleum refinery situated near Baton Rouge. Defendant was organized as a private business enterprise and not as a public utility, common carrier or other character of public service corporation. In the Certificate of Incorporation, issued by the State of Delaware, there is the following provision:

"Provided that nothing herein shall be construed to authorize the corporation to transport natural gas for

others as a carrier for hire or to sell natural gas for others as a carrier for hire, or to sell natural gas except by special contract, or to constitute the corporation a common purchaser of natural gas or a public utility corporation."

Since 1926 defendant has been engaged in the natural gas business and at no time during its existence has it operated as a common carrier or held itself out as willing or able to serve the public generally with natural gas, or to sell gas to any customers other than those with whom it has private contracts, but has operated its business as a private enterprise consisting of the sale of a commodity to specially selected customers under private contracts. Defendant has never exercised or attempted to exercise any of the rights or privileges of a public utility or a common carrier nor held itself out as having the right to any such rights or privileges. It has never claimed to possess and has never attempted to exercise the power of eminent domain, but has acquired all of its property by purchase under private contracts.

Defendant says that its enterprise from its inception has always been strictly private in character and that no part of it is affected with a public interest in the sense that the Congress would have jurisdiction, power or authority to enact legislation purporting to authorize said Commission to regulate the prices which it charges for natural gas which it sells.

Defendant says that all of the contracts under which it sells gas and which are referred to in the complaint filed herein by Louisiana Public Service Commission (herein referred to as "Louisiana Commission"), were entered into prior to the enactment of the Natural Gas Act and prior to any legislative declaration by the Con-

gress that the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest and that Federal regulation in respect thereof is necessary in the public interest. Each of said contracts was made for a specific period of time and without any obligation on the part of either party to sell or buy natural gas after the expiration of such contract.

Defendant denies that the Commission has any jurisdiction over any transaction or operation of defendant and challenges and denies any jurisdiction, power or authority of the Commission to enter any order attempting to change, modify or set aside any charge or price at which defendant is selling natural gas or to substitute and prescribe any different charge or price for which defendant shall sell natural gas, on the ground that defendant is not a public utility company, has not devoted its property to the public service, but is engaged in selling a commodity at wholesale to selected customers under private contracts, which business is not affected with a public interest justifying regulation of a public utility character. If the Natural Gas Act is interpreted to confer on this Commission any jurisdiction, power or authority to regulate or change the rates charged by defendant, and particularly the rates fixed in defendant's contracts entered into prior to June 21, 1938, any rules, regulations or orders promulgated or entered by the Commission thereunder will be null, void and unconstitutional, in that they would deprive defendant of its vested rights and its property and liberty of contract without due process of law, in violation of the Fifth Amendment to the Constitution of the United States.

II.

Subject to the ruling of this Commission and of the Courts on the foregoing special plea and without waiving

but still insisting on the same, for its answer to the complaint filed herein defendant states as follows:

(1) Defendant admits the statements in paragraph 1 of the complaint, but says that under the appropriate constitutional and statutory provisions of the State of Louisiana, said Louisiana Commission has no right or authority whatsoever to take the action requisite toward filing this petition or complaint and says that in so doing said Louisiana Commission has acted without any constitutional or statutory authority whatsoever. Defendant further says that said Louisiana Commission has no constitutional or statutory authority to hold joint hearings or make joint investigations with the Federal Power Commission.

(2) In respect of the allegations of paragraph 2 of the complaint, defendant says that its principal office in the State of Delaware is at number 100, instead of number 7, West Tenth Street, Wilmington, Delaware, and that its leases and gas rights constitute approximately 54,000 acres instead of 60,000 acres. Defendant denies that the natural gas which it sells from its pipe line is largely for resale to the public, and denies that it is a natural gas company within the true and correct meaning of the Natural Gas Act. Except as above stated, defendant admits the allegations of said paragraph 2.

(3) Defendant admits the statements contained in paragraph 3 of the complaint.

(4) Defendant admits the statements contained in paragraph 4 of the complaint.

Defendant says that subsequent to the issuance of the order in said Cause No. 2720 before the Louisiana Com-

mission, an application for rehearing was filed by this defendant in that matter, which application for rehearing was overruled on May 25, 1939. Thereafter, on May 30, 1939, this defendant filed in the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, a petition for a restraining order and injunction seeking to enjoin said Louisiana Commission and the members thereof from carrying out and enforcing or attempting to carry out and enforce the order referred to in the complaint and from taking any further proceedings in Case No. 2720. Defendant says that after notice and hearing, a restraining order was granted by said Court and entered on May 31, 1939, a copy of which is attached hereto and marked Exhibit "A". By said Order the Louisiana Commission and the members thereof were ordered to show cause on June 9, 1939, why an interlocutory or preliminary injunction should not issue as prayed for in the petition. Defendant says that on June 7, 1939, said Louisiana Commission moved said United States District Court for a continuance of the hearing on defendant's petition, under the condition that the restraining order issued on May 31, 1939, should remain in full force and effect until a completion of such hearing and further order of the Court, and there was entered in said cause an order postponing said hearing until after October 1, 1939, a copy of which order is attached hereto and marked Exhibit "B".

By reason of the foregoing facts defendant says that the jurisdiction of the Louisiana Commission over defendant or any part of defendant's business has not yet been determined, and that until a final judicial determination is made in the case above referred to, the Louisiana Commission has no legal right to proceed with any investigation of this defendant's business, either through its own members, agents or employees, or by

seeking any action by the Federal Power Commission, or in any other manner. Defendant says that until a final decree is rendered in said Court proceeding, no steps whatsoever should be taken pursuant to this complaint.

(5) Defendant says that the quantities of gas referred to in paragraph 5 of the complaint are correct and that the quantities delivered to the customers named in said paragraph 5 are correct for the period in question.

With respect to the quantities of gas sold to the customers specifically listed in said paragraph 5, defendant says that the greater portion thereof consisted of gas sold in the field to pipe line companies, which companies transported said gas out of the State of Louisiana, and which gas was utilized by said pipe line companies in their own operations and sold for both domestic and industrial use. Defendant says that the quantity of gas stated to have been sold to Louisiana Steam Generating Corporation at Baton Rouge was sold directly to said corporation by defendant and the sale thereof is specifically excluded from the provisions of the Natural Gas Act by Section 1 (b) thereof. Defendant says that the quantity of natural gas which it sells in the State of Louisiana for resale in the State of Louisiana does not constitute the greater part of defendant's sales from its pipe line and that its business is not predominantly that of transporting and selling such natural gas for resale to the public in Louisiana.

(6) Defendant admits that the quantities of gas set forth in paragraph 6 are correct and that the quantities shown as being sold to the customers listed in paragraph 6 are correct for the period in question. Defendant says that of the amount stated as being consumed in Louisi-

ana, the greater part thereof is sold under contracts which are excluded from the provisions of the Natural Gas Act by Section 1 (b) thereof.

(7) Defendant admits the correctness of the quantities of gas set forth in paragraph 7 of the complaint and the quantities shown as being sold to the customers listed therein. Defendant says that the greater portion of the gas shown as being sold in Louisiana is sold under contracts which are excluded from the provisions of the Natural Gas Act by Section 1 (b) thereof.

(8) Defendant admits the figures which are set forth in paragraph 8 of the complaint as being from its balance sheet as of December 31, 1937, but denies the other allegations of said paragraph.

(9) Defendant admits that the charge which it made on its books in 1937 for depreciation is as stated in paragraph 9 of the complaint.

(10) Defendant admits that it has paid upon its common stock the amount of dividends set forth in paragraph 10 of the complaint, but denies that the book value of said stock is correctly stated therein. As appears by the statements in paragraph 10 of the complaint, no dividends were paid on defendant's common stock for the first ten years of its existence except the amount of 50¢, and when the total amount of dividends paid during the period of defendant's existence is computed it will be seen that there has been a wholly inadequate return on the common stock investment of the Company, having in mind the failure to pay any dividends on said common stock for such a long period of time. The total dividends per share paid in twelve years are $6.60 or 55 cents per share per year. Defendant

admits that it paid off and retired its bonded indebtedness as alleged.

(11) Defendant admits that a part of its business is intrastate in character and part is interstate in character, but denies all the other allegations of paragraph 11 of the complaint. As to the jurisdiction of the Federal Power Commission and the Louisiana Commission over the prices which defendant charges for natural gas which it sells, defendant refers to the allegations and denials heretofore set forth in this answer in its special plea, and in Part II, Paragraphs (1) and (4).

(12) Defendant denies the allegations of paragraph 12 of the complaint.

Wherefore, defendant prays that its objection to the jurisdiction of the Commission hereinabove set forth be maintained and that the complaint be dismissed; and in the alternative and with full reservation of all of its rights defendant prays that no investigation, hearing or other action be taken in this matter until after the final determination of the legal action instituted by the Interstate Natural Gas Company, Incorporated, against the Louisiana Commission now pending in the United States District Court for the Eastern District of Louisiana, in Cause No. 38 of the docket of said Court, and further prays that said complaint be dismissed; and for such further orders as the nature of the case and justice may require.

60 EXHIBIT "A".

United States District Court for the Eastern District of Louisiana, Baton Rouge Division.

Interstate Natural Gas Company, Incorporated

vs.

Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, Commissioner, John S. Patton, Commissioner.

Civil Action File No. 38.

Upon reading the verified petition of plaintiff herein, and it appearing from the facts shown by the verified petition that before notice can be served and a hearing had on plaintiff's application for an interlocutory or preliminary injunction herein or on plaintiff's application for a restraining order, immediate and irreparable injury, loss and damage will result to it, to-wit, that the Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor and John S. Patton, members thereof, will proceed with the examination of petitioner's property, books, records and other documents; will incur large costs and expenses, which will in turn be assessed by the Louisiana Public Service Commission against petitioner; will enter upon the premises of petitioner and there interfere with and disrupt the orderly operation of petitioner's business and affairs, and petitioner will be compelled to employ valuation engineers, geologists, accountants and other experts for the purpose of preparing for the hearing now being threatened by the Louisiana Public Service Commission, at a large expense to petitioner, all of which costs and expenses will be irrecoverable, useless and futile should it be ultimately held that the Louisiana Public Service Commis-

sion has no jurisdiction, power or authority over petitioner to conduct the examination and regulation now being threatened; and further considering that the failure on the part of petitioner to pay any bill or statement hereafter certified to it by the said Commission will subject petitioner to the payment of severe penalties and considering that the orders of the Commission were issued without notice, and further considering that the failure on the part of petitioner to submit to the examination and regulation now threatened by the Louisiana Public Service Commission will subject petitioner to the risk of severe, recurring and cumulative penalties from which petitioner would have no appeal, and likewise subject petitioner to the risk of having its charges and rates fixed and determined upon the Commission's evidence alone;

Now, Therefore,

It Is Ordered, Adjudged And Decreed, that the defendants, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor and John S. Patton, members thereof, and each of them, and their respective successors in office, their agents, representatives, and other employees, and all persons acting under their authority, be, and each of them, are hereby restrained and enjoined from carrying out and enforcing and attempting to carry out and enforce, the orders of the Louisiana Public Service Commission, dated June 14, 1937, February 1, 1939, May 25, 1939, and from collecting or attempting to collect from petitioner the expenses of such investigation and from proceeding further in Cause No. 2720 on the docket of the Louisiana Public Service Commission. This order shall become effective upon the giving of security by the plaintiff by filing a bond in the sum of One thousand ($1000) Dollars,

conditioned upon the payment of such costs and damages as may be incurred or suffered by any party who may be found to have been wrongfully enjoined or restrained thereby.

This restraining order will remain in force only until hearing and determination of the application for an interlocutory or preliminary injunction herein and shall expire within ten days after entry, unless within said time it is extended for a like period for good cause shown.

It Is Further Ordered, that a copy of this order, together with a copy of the verified petition of plaintiff herein, be served upon each of the defendants; and

It Is Further Ordered, by this Court that the defendants named in the petition, to-wit, Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor and John S. Patton, members thereof, do show cause before this Honorable Court, on the 9th day of June, 1939, at the hour of 10:00 o'clock, A. M., why an interlocutory or preliminary injunction should not issue as prayed for in said petition; and

It Is Further Ordered, that the Honorable Richard W. Leche, Governor of the State of Louisiana, and the Honorable David M. Ellison, Attorney General of the State of Louisiana, be notified of said hearing as the law directs.

And it appearing to the Court that said petition seeks an interlocutory or preliminary injunction restraining the Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, and John S. Patton, members thereof, from carrying out or enforcing, or at-

tempting to carry out or enforce, the orders of the Louisiana Public Service Commission, dated June 14, 1937, February 1, 1939, May 25, 1939, and from collecting or attempting to collect from petitioner the costs and expenses of such investigation; and from proceeding further in Cause No. 2720 on the docket of the Louisiana Public Service Commission, on the ground that the Louisiana Public Service Commission and the members thereof are without jurisdiction to conduct said examination or to fix and determine the rates and charges of petitioner for the transportation and sale of gas on the ground that said order and further procedure in said case would be in violation of the United States Constitution, I do hereby call to my assistance to hear and determine at the hour and on the date hereinabove fixed said application for an interlocutory or preliminary injunction in said cause, the Honorables Rufus E. Foster and Joseph C. Hutcheson, Jr., Judges of the Circuit Court of Appeals for the Fifth Circuit of the United States.

This Order, done and signed at New Orleans, Louisiana, in the Eastern District of Louisiana, on this, the 31st day of May, A. D., 1939, at 10:00 o'clock A. M.

WAYNE G. BORAH,
Judge.

63 EXHIBIT "B".

United States District Court for the Eastern District of Louisiana, Baton Rouge Division.

Interstate Natural Gas Company, Incorporated

vs.

Louisiana Public Service Commission, Wade O. Martin, Chairman, James P. O'Connor, Commissioner, John S. Patton, Commissioner.

Civil Action File No. 38.

On motion of the Louisiana Public Service Commission, Wade O. Martin, chairman, James P. O'Connor, commissioner, and John S. Patton, commissioner, made defendants in the above entitled and numbered cause, appearing herein thru their counsel, David M. Ellison. attorney general of Louisiana, and Ellis C. Irwin, special assistant attorney general, and the Interstate Natural Gas Company, Incorporated, plaintiff, appearing herein thru its counsel, Shotwell & Brown, and Dart & Dart, and

On suggesting to the Court that the hearing of the rule for the interlocutory, or preliminary injunction prayed for by the petitioner herein has been set for June 9th, 1939, at 10 A. M.,

And on further suggesting to the Court that stipulations have been entered into on June 6th, 1939 by and between the plaintiff and defendants herein, wherein it is stipulated and agreed that the hearing of the rule for the interlocutory or preliminary injunction prayed for by the petitioner herein, which has been set for June 9th, 1939, at ten A. M., shall, with the permission of the

Court be postponed and continued until a future date in October or at such time thereafter as the Court might fix; and that should the Court grant such continuance the restraining order issued herein on June 1st, 1939, shall remain in full force and effect until the determination of the rule for the interlocutory or preliminary injunction in this cause shall be made by this Court, which stipulations are hereto attached;

It Is Ordered, Adjudged And Decreed, that the hearing of the rule for the interlocutory or preliminary injunction prayed for by the petitioner herein, which has been set for June 9th, 1939, at 10 A. M., shall be postponed and continued by consent of parties, until such time after October 1st, 1939, as will suit the convenience of the Court and counsel for parties herein, and the restraining order issued herein on June 1st, 1939, shall remain in full force and effect until the determination of the rule for an interlocutory or preliminary injunction in this cause shall be made by this Court.

New Orleans, Louisiana, June 7, 1939.

WAYNE G. BORAH,
Judge.

65 ORDER INSTITUTING INVESTIGATION.

United States of America.

Federal Power Commission.

Commissioners: Clyde L. Seavey, Chairman; Claude L. Draper, Basil Manly, John W. Scott. Leland Olds, not participating.

December 5, 1939.

In the Matter of:
Interstate Natural Gas Company, Incorporated.
Docket No. G-149.

It appearing to the Commission that:

(a) On May 23, 1939, the Louisiana Public Service Commission, a State commission within the meaning of the Natural Gas Act, filed with the Commission a complaint (Docket No. G-132) which alleges, in substance, among other matters, that the Interstate Natural Gas Company, Incorporated, is engaged in the transportation of natural gas in interstate commerce and in the sale of natural gas in interstate commerce for resale in Louisiana, and that its rates and charges for such transportation and sale are unjust and unreasonable, and requests the Commission, after a hearing, to fix the just and reasonable rates to be thereafter observed and in force in respect of such transportation and sale;

(b) It is necessary and proper, in the public interest, and to aid in the enforcement of the provisions of the Natural Gas Act that an investigation be instituted by the Federal Power Commission, on its own motion,

(1) to determine whether the Interstate Natural Gas Company, Incorporated, a corporation organized under the laws of the State of Delaware, having its principal office in the City of New York, New York, is a natural-gas company within the meaning of the Natural Gas Act; and (2) into and concerning all rates, charges, or classifications demanded, observed, charged, or collected by the Interstate Natural Gas Company, Incorporated, in connection with any transportation or sale of natural gas, subject to the jurisdiction of the Commission, and any rules, regulations, practices, or contracts affecting such rates, charges, or classifications;

The Commission, on its own motion, *orders* that:

An investigation of the Interstate Natural Gas Company, Incorporated, be and it is hereby instituted for the purpose of enabling the Commission:

(1) To determine with respect to the said Interstate Natural Gas Company, Incorporated, whether (a) it is a natural-gas company within the meaning of the Natural Gas Act; and whether, (b) in connection with any transportation or sale of natural gas subject to the jurisdiction of this Commission, any rates, charges, or classifications demanded, observed, charged or collected, or any rules, regulations, practices or contracts affecting such rates, charges, or classifications are unjust, unreasonable, unduly discriminatory or preferential; and

(2) If the Commission, after hearing has been had, shall find that the Interstate Natural Gas Company, Incorporated, is a natural-gas company within the meaning of the Natural Gas Act, and that any of its rates, charges, classifications, rules, regulations, practices or contracts, subject to the jurisdiction of this Commission,

are unjust, unreasonable, unduly discriminatory or preferential, to determine and fix by appropriate order or orders, just and reasonable, rates, charges, classifications, rules, regulations, practices, or contracts to be thereafter observed and in force.

By the Commission.

LEON M. FUQUAY,
Secretary.

* * * * * *

ORDER CONSOLIDATING PROCEEDINGS FOR PURPOSE OF HEARING AND FIXING DATE OF HEARING.

70 United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, John W. Scott and Clyde L. Seavey. Basil Manly not participating.

May 12, 1942.

In the Matter of:

Interstate Natural Gas Company, Incorporated.
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Incorporated, Defendant.

It appearing to the Commission that:

(a) On May 23, 1939, Louisiana Public Service Commission, a State Commission within the meaning of the

Natural Gas Act, filed with the Commission a complaint (Docket No. G-132) alleging, among other matters, that Interstate Natural Gas Company, Incorporated, is engaged in the transportation of natural gas in interstate commerce and in the sale of natural gas in interstate commerce for resale in Louisiana and Mississippi, and that its rates and charges for such transportation and sale are unjust and unreasonable, and requesting the Commission, after a hearing, to fix just and reasonable rates to be thereafter observed and in force in respect of such transportation and sale;

(b) On December 5, 1939, the Commission, on its own motion, instituted an investigation of Interstate Natural Gas Company, Incorporated (Docket No. G-149) for the purpose of enabling the Commission to determine (1) whether the said company is a natural-gas company within the meaning of the Natural Gas Act, and (2) whether, in connection with any transportation or sale of natural gas subject to the jurisdiction of the Commission, any rates, charges, or classifications demanded, observed, charged, or collected, or any rules, regulations, practices, or contracts affecting such rates, charges, or classifications are unjust, unreasonable, unduly discriminatory or preferential; and if the Commission after hearing has been had shall find that the said company is a natural-gas company within the meaning of the Natural Gas Act, and that any of its rates, charges, classifications, rules, regulations, practices or contracts subject to the jurisdiction of the Commission are unjust, unreasonable, unduly discriminatory or preferential, to determine and fix by appropriate order or orders just and reasonable rates, charges, classifications, rules, regulations, practices or contracts to be thereafter observed and in force;

(c) The said order instituting an investigation was duly served upon Interstate Natural Gas Company, Incorporated;

The Commission *finds* that:

The above-entitled proceedings are related and the public interest would be served by consolidating them for hearing; and

The Commission *orders* that:

(A) Docket Nos. G-132 and G-149 be and they are hereby consolidated for purposes of hearing thereon;

(B) A public hearing in these proceedings be held commencing on June 15, 1942, at 9:45 o'clock a. m., in the Courtroom, Federal Building, Baton Rouge, Louisiana;

(C) Interested State Commissions may participate in the said hearing, as provided for in Section 67.4 of the Provisional Rules of Practice and Regulations under the Natural Gas Act.

By the Commission.

J. H. GUTRIDE,
Acting Secretary.

Order permitting Intervention of the City of New Orleans, La., entered 5/15/42, omitted from the printed record, pursuant to Joint Stipulation of Counsel as to Printing Record, copied at page 1.

Order changing place and date of hearing, omitted from the printed record, pursuant to Joint Stipulation of Counsel as to Printing Record, copied at page 1.

Designation of Trial Examiner Edward B. Marsh to preside at Hearing, filed 5/27/42, omitted from the printed record, pursuant to Joint Stipulation of Counsel as to Printing Record, copied at page 1.

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96 OPINION No. 91.

United States of America.

Federal Power Commission.

In the Matter of:

Interstate Natural Gas Company, Inc.
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Inc., Defendant.

Appearances:

For Interstate Natural Gas Company, Inc.:
William A. Dougherty, Esq.,
C. W. Cooper, Esq.,
30 Rockefeller Plaza,
New York, N. Y.

Henry P. Dart, Jr., Esq.,
H. Grady Price, Esq.,
For Dart and Dart,
New Orleans, Louisiana.
Alden T. Shotwell, Esq.,
For Shotwell & Brown,
Monroe, Louisiana.

For the Louisiana Public Service Commission:
Honorable Wade O. Martin, Chairman,
Honorable John S. Patton, Commissioner,
Honorable Nat B. Knight, Commissioner,
P. A. Frye, Secretary,
Bertrand I. Cahn, Esq., Special Assistant Attorney General of Louisiana.

For the City of New Orleans:
William Bo[redacted]e, Esq., Assistant City Attorney,
Warren O. [redacted]eman, Esq.,
Edward Rightor, Esq.,
New Orleans, Louisiana.

For the City of Baton Rouge:
Roland C. Kizer, Esq., City Attorney,
Fred S. Le Blanc, Mayor,
S. A. Harris, Commissioner of Parks and Streets,
Jesse L. Webb, Commissioner of Finance.

For the Federal Power Commission:
Edward H. Lange, Esq.,
Caso March, Esq.,
Washington, D. C.

Opinion.

By the Commission:

History of the Proceedings.

These proceedings grew out of a complaint filed by the Louisiana Public Service Commission and were enlarged by the Commission's order of December 5, 1939, for an investigation of the reasonableness of all of the interstate wholesale rates and transportation rates of the Interstate Natural Gas Company, Incorporated, under the provisions of the Natural Gas Act.[1]

The complaint proceeding and the general investigation on the Commission's own motion were consolidated for the purposes of the hearing. Upon petition, the City of New Orleans and the City of Baton Rouge, Louisiana, were permitted to intervene in these proceedings.

Public hearings were held, pursuant to order and notice, at intervals during June and July of 1942 for a total of 8 days. Comprehensive evidence was presented including 1,000 pages of oral testimony and 103 exhibits. The evidence was presented by Interstate, the Louisiana Commission, the Cities of Baton Rouge and New Orleans, and by this Commission's staff. The short hearing and the concise record are attributable to the pre-hearing conferences held in accordance with the Commission's rules of procedure. Each party to these proceedings was cognizant of the issues and was afforded ample opportunity to present evidence. Briefs have been filed and the Commission, sitting *en banc*, heard oral argument.

[1] The term "interstate wholesale" when used in this Opinion means the sale of natural gas in interstate commerce for resale for ultimate public consumption for domestic, commercial, industrial, or any other use.

Jurisdiction.

Interstate owns and operates an integrated natural gas system consisting of 110 gas wells in the Monroe gas field located in northern Louisiana, pipe lines which gather the gas produced from its own wells, and gas purchased from other producers, and pipe lines which transport substantially all of that gas in interstate commerce to various points of sale and delivery in Louisiana and Mississippi.

Interstate's main pipe line transports gas south for approximately 172 miles from the Monroe field in Louisiana, through a part of Mississippi and then to Baton Rouge, Louisiana, where sales are made to the local distribution company for resale, and to the Standard Oil Refinery and other industrial consumers. Interstate also sells gas to United Gas Pipe Line Company near the Monroe field and transports that gas for United from that point to Baton Rouge, and then United transports it to New Orleans where it is sold for resale for ultimate public consumption. Along this main pipe line Interstate sells gas in Mississippi and Louisiana directly to one industrial consumer, to a State institution, and to distribution companies for resale. Most of the gas transported in interstate commerce through the main pipe line by Interstate is destined for the Baton Rouge and New Orleans markets.

Interstate concedes that its transportation of natural gas by means of its main pipe line and its sales for resale from that main pipe line (with minor exceptions) are subject to the jurisdiction of this Commission, and that it is a natural-gas company within the meaning of the Natural Gas Act.

Interstate also purchases gas in the University, La Pice and La Place fields south of Baton Rouge, transports that gas and delivers it to United at points along United's pipe line between Baton Rouge and New Orleans where the gas is commingled with gas flowing in interstate commerce. Some of this gas is then transported by United for Interstate for delivery to Interstate's industrial and wholesale customers between Baton Rouge and Destrehan, Louisiana; the remainder being sold to United for resale in the New Orleans market. Interstate and United Gas Pipe Line Company jointly own pipe lines which transport gas from wells in southern Louisiana, into United's Baton Rouge-New Orleans line and that gas is commingled with gas of interstate origin and augments the supply for the New Orleans market.

The jurisdictional dispute presented in these proceedings involves Interstate's sales of gas in northern Louisiana to the Mississippi River Fuel Corporation, to Southern Natural Gas Company, and to United Gas Pipe Line Company for the account of Memphis Natural Gas company. Mississippi River Fuel Corporation is an affiliate of Interstate; large blocks of voting stock of both Companies are owned by Standard Oil Company (N. J.) and the President of Mississippi is also President of Interstate. The evidence discloses that Interstate and its affiliates, Hope Producing Company and Southern Carbon Company, control a substantial portion of the gas acreage and production from the Monroe field. Union Producing Company, an affiliate of United Gas Pipe Line Company, also controls a large portion of the acreage and production from the Monroe field. The evidence also shows close contractual and operating arrangements between Interstate and United Gas Pipe Line Company that have extended over a period of many years.

It is clear from the evidence that as a practical operating matter Interstate does not consider its transportation lines as something separate from its field lines. Interstate's pipe lines are operated as a unit. A large portion of the gas, sold by Interstate in northern Louisiana to the three pipe line companies mentioned above, is purchased and received by Interstate from other companies operating in the Monroe field, which first gather and transport the gas to specified central delivery points for sale to Interstate. Interstate transports the gas which it buys from such companies in the Monroe field and commingles that gas with gas which it has produced and gathered in the Monroe field, and then transports this commingled gas to the points of sale and delivery in Louisiana to the Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line company for the account of Memphis Natural Gas Company. The gas transported and sold by Interstate to these three pipe line Companies continues its flow in interstate commerce and, as an established course of business well known to Interstate, is destined for resale for ultimate public consumption in Memphis, St. Louis, Birmingham, Atlanta, and other markets outside Louisiana.

In resisting regulation by the Louisiana Public Service Commission, the Interstate Natural Gas Company successfully contended in a Federal Court that over 99% of its total sales of gas, which include sales made to the three pipe line Companies, were sales in interstate commerce and beyond the reach of the Louisiana Commission. *Interstate Natural Gas Co. v. Louisiana Public Service Commission*, 33 F. Supp. 50; 34 F. Supp. 980. Interstate does not now deny that the sales of natural gas to the three pipe line Companies constitute sales of natural gas in interstate commerce for resale, but it con-

tends that each of these sales constitutes a sale in the "production and gathering" of gas and falls within the claimed exemption stated in 1(b) of the Natural Gas Act. Section 1(b) of the Natural Gas Act provides:

"The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas."

The above-described sales to the three pipe line Companies come within the scope of the specific affirmative provisions of Section 1(b) of the Natural Gas Act and are clearly sales "in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use." It was such interstate wholesale sales which the United States Supreme Court had ruled were beyond the reach of the State commissions,[2] that Congress intended to regulate by the Natural Gas Act.

The negative language in Section 1(b) upon which the Interstate Company relies for its claimed exemption involving these sales provides that the Commission shall not have jurisdiction over "the production or gathering of natural gas." When the distinction between *produc-*

[2] H. R. Rep. No. 709, 75th Cong., 1st Sess., pp. 1-2; S. Rep. No. 1162, 75th Cong., 1st Sess., pp. 1-2; *Illinois Natural Gas Co. v. Central Illinois Public Service Co.*, 314 U. S. 498, 503-506; *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U. S. 575, 582; *Kentucky Natural Gas Corp. v. Pub. Serv. Comm.*, 28 F. Supp. 509, 512, aff. 119 F. (2d) 417.

tion and gathering of natural gas, and the *sale* of such gas in interstate commerce is kept in mind, effect is given to the Congressional objective.[3] The Commission is bound to obey the command of Congress to regulate these sales in interstate commerce for resale to the three pipe line Companies. Such is clearly the implication of the decision of the Circuit Court of Appeals in *Peoples Natural Gas Co. v. Federal Power Commission*, 127 F. (2d) 153; cert. den. 316 U. S. 700.

We conclude, therefore, that the transportation and the sale of gas by Interstate to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company constitute the transportation of natural gas in interstate commerce and the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, and other uses, and that such transportation and sales are subject to the jurisdiction of this Commission.

Corporate and Financial History.

Interstate Natural Gas Company was organized in 1926 for the purpose of producing and transporting natural gas. The primary market to be served directly by Interstate was the refinery of the Standard Oil Company of Louisiana, and certain industrial companies south of Baton Rouge, Louisiana. Contracts also were made with other industrial consumers, distributing gas utilities and other natural gas pipe line companies.

The original securities issued were 600,000 shares of capital stock at $5.00 per share, or a total of $3,000,000

[3] For the distinction between production of a commodity and sales of such commodity in interstate commerce, see *Carter v. Carter Coal Co.*, 298 U. S. 238, 302-4.

(later increased to $6,529,530) and $11,500,000 of First Mortgage 10-Year, 6% Sinking Fund Gold Bonds.

Interstate has paid off its bonds, has paid cash dividends exceeding $10,000,000 and has accumulated a surplus of more than $5,800,000 in the period 1926 to 1941.

Control of the Interstate Company from its inception has been in the Standard Oil Company (N. J.) through the ownership of a majority of the capital stock.

We now proceed to the determination of the lawful rates within the scope of our statutory authority. This will include a determination of rate base, rate of return, operating revenues and expenses, allocation of cost of service and reasonable earnings for the future.

Rate Base.

Upon consideration of all aspects of this case in the light of our authority under the Natural Gas Act, we conclude that the rate base is the actual legitimate cost of the property (including construction work in progress) used and useful in furnishing service, less the existing depletion and depreciation, plus necessary working capital. We find that it is not necessary for the purposes of this case to investigate and ascertain any other facts in order to determine the proper rate base.

Interstate claimed a rate base of $19,167,290 which was composed of the actual legitimate cost of gas plant in service, less observed deterioration and accrued depletion, plus future capital additions, construction work in progress, and estimated working capital. Reproduction cost was not claimed as an element in the rate base determination. Instead, it was conceded that actual

legitimate cost was the proper starting point in that determination.

The allowable rate base is $15,583,975. We will now discuss the components thereof.

Actual Legitimate Cost.

There is no dispute as to actual legitimate original cost. It is agreed that this amounted to $21,387,159 at the end of 1941. That undisputed amount represents the actual outlay to establish the utility; it is the gross investment the owners have made in the gas plant in service.

Existing Depletion and Depreciation.

The evidence as to the existing depreciation and depletion (hereinafter referred to as depreciation) in the properties may be summarized as follows:

Company Witness	$ 3,845,619
Commission Staff	6,328,924
Books of Account	10,981,720

Interstate used the "observed deterioration" process to arrive at the figure of $3,845,619. In its previous decisions in the *Canadian River* and *Hope* cases, the Commission has dealt at length with the fallacy of the "observed deterioration" method of determining accrued depreciation. *Re Canadian River Gas Co.*, 43 P. U. R., (N. S.) 205, 218; *Cleveland v. Hope Natural Gas Co.*, 44 P. U. R. (N. S.) 1, 17. We have pointed out that it results in arbitrary conclusions, based on a consideration of

superficial evidence of physical deterioration only, while disregarding more important factors, such as the remaining life of the gas reserves, obsolescence and the economic life of the property. The method is inherently fallacious in that it confuses the appearance or physical condition of property with true depreciation, which is the using up of its economic or service life. It does not give consideration to all factors contributing to the retirement of property; hence it cannot reflect the actual existing depreciation.

The method employed by the Company to determine existing or accrued depreciation is inconsistent with the method used to determine annual depreciation expense. Annual depreciation expense and accrued depreciation are merely two phases of the same phenomenon. They must be determined consistently or grave injustices will result. The annual depreciation expense claimed by the Company was determined according to the economic or service life principle. This is the general practice, and is proper. In determining accrued depreciation, however, the Company objects to the service life principle, and insists upon a scheme which cannot result in disclosing the full amount of depreciation which has been suffered.

Thus, the Company seeks to employ a double standard: one which results in high annual allowances to it for depreciation expense, and another which discloses little depreciation to be deducted in determining the rate base. The annual allowance claimed by the Company would in 6¼ years total more than the amount which it contends has accrued during 15 years of actual operations. In other words, the dual standard advocated is a pincers operation which always results in squeezing too much from the rate payer. As indicated previously, annual

depreciation expense and accrued depreciation are merely two aspects of the same phenomenon which require consistent treatment in their determination.

The Commission's staff presented in these proceedings a depletion and depreciation reserve requirement study, that is, a computation of the proper reserve which should have been accrued. A qualified staff engineer, who analyzed the Company's past experience, relevant service life data on other pipe lines, and who made a field inspection of the Company's physical properties, estimated the over-all service lives of the properties by classes. His study included a careful consideration of both functional and physical aspects of depreciation. In this case the economic service life of Interstate's property is limited and controlled by the available gas supply which is estimated to be exhausted by 1960 and before certain of the physical elements of the property will deteriorate completely. There is no controversy over the amount of the Company's gas reserves and known available supply, which are estimated to have an over-all life of 35 years from their first utilization in 1926.

The depreciation rates which the staff used in computing both the annual expense and the reserve requirement were derived from the average service lives of the various classes of properties. The equitable principle that annual expenses for depreciation must be harmonized with accrued depreciation was recognized and applied. The reserve requirement at any given time is the accumulated amount of proper annual provision for depreciation, less the cost of property retired. The method used by the staff follows our previous decisions. Under it, there is determined the amount required annually to reimburse the Company for property consumed in service, thus assuring the Company it will be fully reim-

bursed for its capital investment by the end of the economic life of its wasting-asset enterprise.[4] *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U. S., 575, 593.

The Commission finds that the required depletion and depreciation reserve as computed by the staff is the best measure of actual existing depletion and depreciation in the properties.[5] At the end of 1941 the reserve requirement, by functional classifications, was:

Depletion:	
Natural Gas Operated Acreage	$ 527,237
Depreciation:	
Production Plant	358,786
Transmission Plant (Wholly Owned)	5,305,096
Transmission Plant (Jointly Owned)	21,106
General Plant	116,709
Total Reserve Requirement	$6,328,934

This required reserve, totalling $6,328,934, will be deducted from the actual legitimate cost of the Company's property.

[4] The unit-of-production method (unit equals 1000 cubic feet of gas) was used to determine the annual depletion and depreciation and the reserve requirement for natural gas producing lands, leaseholds, and rights, wells, field lines, field measuring and regulating structures and equipment, and other structures and equipment associated with operations in the Monroe gas field. The straight-line service life method was used to determine annual depreciation and the reserve requirement for all other plant items. There is no dispute over the use of the service lives in this case for determining the depreciation rates upon which the annual allowance for depreciation is based.

[5] See: *Re Long Island Lighting Co.*, 18 P. U. R. (N. S.) 65, 146-151, 189-191; aff. 249 App. Div. 918, 292 N. Y. S. 807, 809, 18 P. U. R. (N. S.) 225, 226; *Re Rochester Gas & Electric Corp.*, 33 P. U. R. (N. S.) 393, 489, 502-3; National Association of Railroad and Utilities Commissioners, Proceedings of Fiftieth Annual Convention (1938) pp. 473-4.

As indicated hereinbefore, Interstate had accrued on its books a reserve for depreciation, depletion, and amortization aggregating $10,981,720 by the end of 1941. The Company's book reserve exceeds the reserve requirement, which the Commission finds to be the measure of actual existing depletion and depreciation, by more than $4,600,000.

For the reasons set forth at length in the *Hope* case, the Commission has deducted from actual cost only what it has determined to be the reserve requirement which reflects the depletion and depreciation accrued in Interstate's property, *Cleveland v. Hope Natural Gas Co.*, 44 P. U. R. (N. S.) 1, 18.

Construction Work in Progress and Estimated Capital Additions.

The Interstate Company showed on its books in the account, Construction Work in Progress, a balance of $178,550 on December 31, 1941. Since practically all of this balance represented the cost of plant which had been placed in service before the end of 1941, or was placed in service shortly thereafter, the entire amount will be included in the rate base.

The Company urges the Commission to include in the rate base the amount of $1,500,000[6] for property additions proposed for the years 1942-1946. These proposed additions to plant are primarliy designed to meet increased demands for gas. The increased revenues from

[6] The cost of additions will be offset fully by accruing depletion and depreciation. The net increase in depletion and depreciation (accruals less retirements) was $564,549 in 1941, and this pattern of increasing depletion and depreciation is a constant one. Thus, the proposed $1,500,000 additions during 1942-1946 to plant are less than the depletion and depreciation which will accrue during the same period.

the future business should provide ample coverage for the return and costs of operation in connection with the future use of the proposed additions. We conclude that it would be improper to include in the rate base these estimated amounts for future additions, since the revenues from the predicted increase in business are not reflected in the test period of operations which we employ. Furthermore, the Supreme Court held in the *Natural Gas Pipeline Company* case, "* * * the refusal to include in the rate base capital expenditures not yet made cannot involve confiscation."[7].

Working Capital.

Interstate claimed working capital in the amount of $447,202. The staff recommended $347,202. Working capital consists of two chief elements, materials and supplies needed in the business and cash necessary to meet the operating expenses from day to day pending collection of revenues. There is no dispute as to the required amount of materials and supplies ($268,341). The staff indicated that $78,861 was reasonable for the cash working capital, whereas the Company claims an even $100,000 in excess of that amount. The extra $100,000 is claimed to be needed for the purpose of maintaining bank balances.

The amount computed by the Commission's staff for cash working capital was related to operating expenses, as is proper. The cash necessary to run the business is that which must be available to meet current expenses during the lag between the time of rendering service and collection of revenues. Taxes are accrued and, in effect, collected from the customers long before they

[7] *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U. S. 575, 587, footnote 5.

have to be paid by the Company. These tax accruals in excess of payments will supply adequate bank balances. In recent years the tax accruals, representing the excess of taxes charged to operations over the amounts actually paid to any given date, have always exceeded $500,000. We find, therefore, that the necessary allowance for working capital, including materials and supplies, is $347,202.

Conclusions with Respect to the Rate Base.

The analysis of the evidence which we have discussed with respect to the components of the rate base and our conclusions may be summarized thus:

Actual Legitimate Cost or Gross Investment in Gas Plants in Service, 12/31/41	$21,387,157
Less: Actual Existing Depletion and Depreciation	6,328,934
Net Investment in Gas Plant in Service	$15,058,223
Add: Construction Work in Progress	178,550
Working Capital	347,202
Rate Base	$15,585,975

The Commission, therefore, adopts the foregoing amount as the rate base for the Company's property as an assembled whole and an established gas utility in successful operation.

Rate of Return.

Numerous factors enter into the determination of what constitutes a fair rate of return in every utility rate case. The principal factors are stated by the Supreme Court

in *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm.*, 262 U. S. 679, 692-3. They are that the return of a public utility shall be equal to that generally being made at the same time in the same region on investments in other enterprises attended by corresponding risks, and that the return should be sufficient to assure confidence in the financial soundness of the utility and to maintain its credit and enable it to attract the capital necessary for the proper discharge of its public duties. The Supreme Court has said, nevertheless, that a utility has no constitutional right to profits such as are realized by highly profitable enterprises or speculative ventures.

The record contains an abundance of evidence on the subject of rate of return. The information includes investors' appraisal of the natural gas industry, comparative risk data, interest rates and yields on securities of natural gas and electric utilities, statistics showing the growth and stability of the natural gas industry, the trend of the cost of money and its current cost, economic and idle money data, and the financial history of Interstate. That evidence reveals that, compared to industrial and railroad enterprises, the utility business has relatively greater stability. It also shows that interest rates generally are now lower than they have ever been; for example, it shows that the yields on the better issues of natural-gas company bonds sold recently are close to 3%.

The record shows that Interstate is a well-established natural-gas company whose risks have been minimized by ample past and present provisions for depletion and depreciation with current high profits and by many established markets. By 1941, Interstate had retired all of its own and assumed bonded indebtedness in the aggregate face amount of $12,400,000, had paid cash dividends exceeding $10,000,000, had accumulated a deple-

tion and depreciation reserve of $10,000,000 and a surplus of more than $5,800,000. The Company's efficient management, established markets, financial record, affiliations, and its prospective business, place it in a strong position to attract capital upon favorable terms should additional capital ever be required.

We conclude, upon a careful consideration of the evidence and in the light of the principles enunciated by the Supreme Court, that 6½% is a fair annual rate of return upon the rate base applicable to the federally regulated business of this Company. Our views on the subject of rate of return are in harmony with recent decisions by the Supreme Court and other Courts and commissions involving natural-gas companies.[8]

Operating Revenues and Expenses.

There is no controversy over the volume of gas sold and transported or the revenues received by Interstate. The Commission's staff presented adjusted book figures for revenues and expenses of the Interstate Company for the 4-year period 1938-1941. The adjustments resulted mainly in a reduction of the annual amounts charged by the Company for depletion and depreciation expense. The amount of depreciation and depletion expense calculated for 1941 was $614,896.50. The Company did not challenge this amount, which we find reasonable. In fact, the Company offered no evidence on revenues and expenses and did not challenge the correctness of the income statements presented by the staff. There

[8] *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U. S. 575, 596; *Arkansas-Louisiana Gas Co. v. Texarkana*, 96 F. (2d) 179, 188; *Peoples Gas Light & Coke Co. v. Slattery*, 25 N. E. (2d) 482, 501; *East Ohio Gas Co. v. Cleveland*, 27 P. U. R. (N. S.) 387, 412, aff. 28 N. E. (2d) 599, 612; *Re Montana-Dakota Utilities Co.*, 32 P. U. R. (N. S.) 121, 128; *Pa. Pub. Util. Comm. v. The Peoples Natural Gas Co.*, 43 P. U. R. (N. S.) 82, 115.

is no dispute over the amount of net utility income for the 4-year period, which the evidence shows was $2,385,375 for 1938; $2,532,820 for 1939; $2,275,744 for 1940 and $2,386,191 for 1941.

From these figures it is seen that net utility income has remained fairly stable during the four years of this period. Accordingly, since 1941 operations are typical and afford the latest available data, they have been chosen as the best guide for fixing rates for the future.

Allocation of Cost of Service.

Interstate's properties are used in transactions over which we have jurisdiction, as well as those beyond our jurisdiction, and they are also used to render service to customers with varying load and other characteristics. Its operating expenses likewise relate to these several phases of the Company's operations. This gives rise to joint costs. It, therefore, becomes necessary to resort to allocations for the purpose of determining just and reasonable rates of the business subject to regulation under the Natural Gas Act and also for the purpose of determining the proper disposition of any rate reduction which we may order.

There are two general methods of making allocations. Under one, an allocation of the cost of physical property and of operating expenses is made. Under the other, the return of the property, rather than the cost of the property itself, is allocated along with the operating expenses. If the same pertinent figures are used in the calculations, the results will be the same under both methods. The method which allocates the return along with operating expenses is far more practical and is easier to understand and to apply. This may be denomi-

nated the "reasonable cost of service method." All that can be accomplished by an allocation of the physical property can be, and is, obtained by an allocation of the reasonable cost of service, including therein a proper return.

The allocation which we adopt in this case is based upon a careful and detailed study of the Company's property, operations, costs, types of customers served, location of service and the amount and characteristic of customers' requirements for gas.

In making such allocations, operating cost and return are distributed in two categories: those which relate to production and purchases; and those which relate to transportation and delivery. Costs relating to transportation and delivery are in turn divided as between demand and volume (mcf) costs. In general, the fixed costs are associated with demand and the variable costs with volume. An exception to this rule relates to return, Federal and state income taxes and Federal capital stock taxes. These, to the extent they relate to transportation and delivery of gas, we allocate 50% to demand and 50% to volume. The reason for this latter division is that a part of the return or profit should naturally come from the volume of business and a part from the customers' demand, that is, the capacity of facilities required to render service. Income taxes and capital stock taxes are associated with return and are, therefore, allocated in the same manner.

Costs relating to the production or to the purchase of gas by Interstate, including the operation of field lines, are classified as volume or "commodity costs" only. This is in accordance with generally accepted practice. Gas in and very near the fields almost invariably sells on a

straight mcf basis. Demand charges for such gas are not exacted.

The transportation and delivery costs which are associated with demand are allocated in proportion to each customers' responsibility for the peak-day demand for gas. The transportation and delivery costs which are associated with volume are allocated in proportion to the volume (mcf) of gas sold to each customer.

The operating expenses, including depreciation and depletion, but excluding Federal income taxes, amounted to $3,960,766 in 1941. A return of 6½% on the total rate base of $15,583,975, we have heretofore found, amounts to $1,012,958. Interstate would have paid $215,472 Federal income taxes for the year 1941 if its net utility income for that year had been limited to 6½%. Accordingly, the latter figure is used in the cost of service allocation.

The total reasonable cost of service for 1941 on the basis described above amounts to $5,189,197. An allocation of this cost to the various customers, those under as well as those beyond our jurisdiction, is shown in the following tabulation which also shows the respective revenues and earnings in excess of 6½% return. The table shows that $2,487,955 of the total reasonable cost is allocated to transactions over which we have jurisdiction and $2,071,242 to transactions which are not under our jurisdiction.

	Revenues 1941	Reasonable Cost of Service	Excess of Revenues Over Cost
Sales of Gas for Resale to:			
Pipe Line Companies:			
Mississippi River Fuel Corp.	$ 686,012	$ 384,683	$ 301,329

	Revenues 1941	Reasonable Cost of Service	Excess of Revenues Over Cost
Southern Natural Gas Co.	594,459	447,656	146,803
United Gas Pipe Line Co. (for a/c Memphis Natural Gas Co.)	334,396	186,208	148,188
United Gas Pipe Line Co. (for New Orleans area)	831,385	534,516	296,869[10]
Distribution Companies in Louisiana and Mississippi	380,947	245,464	135,483[10]
Transportation of Gas for United Gas Pipe Line Co. (for New Orleans area)	1,036,533	689,428	347,105[10]
Total Regulated Business	$3,863,732	$2,487,955	$1,375,777
Gas Sales to:			
Industrial Customers	3,689,533	2,674,455	1,015,078
Public Authority	46,807	26,787	20,020
Total Unregulated Business	$3,736,340	$2,701,242	$1,035,098
Grand Total	$7,600,072	$5,189,197	$2,410,875

[10] These are the excesses prior to certain reductions in rates made during the course of these proceedings and discussed later in this Opinion.

The return in excess of 6½% earned in 1941 on transactions which are subject to our jurisdiction, as shown in the table, amounted to $1,375,777. A reduction in rates of this amount does not mean that Interstate's profits will be reduced by the same figure. Only $772,624 will be borne by Interstate, the balance representing a saving in income taxes.[9]

Based upon the evidence in this case, we find that Interstate's reasonable cost of service for the year 1941, including a 6½% return on the rate base and corresponding 31% Federal income taxes, should be allocated in the amounts of $384,683 to the Mississippi River Fuel Corporation, $447,656 to the Southern Natural Gas Company, and $186,208 to the United Gas Pipe Line Company for the account of Memphis Natural Gas Company, $534,516 to the United Gas Pipe Line Company for the New Orleans area, $245,464 to distribution companies, and $689,428 to the United Gas Pipe Line Company for the transportation of gas. The foregoing are sales and transactions subject to the jurisdiction of the commission. The reasonable cost of service, including 6½% rate of return and 31% Federal income taxes, properly allocable to unregulated sales, is $2,674,455 to industrial customers and $26,787 to a public authority.

If, in the reasonable cost of service for regulated business of 1941, shown in the foregoing tabulation, Federal income taxes had been calculated at the 1942 rate of 40% for normal and surtaxes instead of the applicable rate of 31%, which was the rate used, that cost would have been $50,000 more than shown. The tax rate of 31% has been employed because it was the applicable rate

[9] If the total excessive earnings of $2,410,875 were applied to the reduction of rates, $1,353,917 would come from the profits of Interstate and $1,056,958 from savings in income taxes.

for 1941, and the record indicates that Interstate's business will be increased sufficiently to provide for the additional tax of $50,000.

Reasonable Earnings for the Future.

The Revenue and Cost of Service figures set forth above disclose that the Company's rates for the transportation of gas and the sale of gas in interstate commerce for resale, which are subject to Federal regulation, were unreasonably high in the amount of $1,375,777.[11] In some instances, these rates have been reduced in line with proposals made by the Company and accepted by the Commission during the course of this proceeding.

The Company's rate reduction established a single uniform rate for all city gate deliveries made by the Interstate Company to local distribution companies in Louisiana and Mississippi. Based on 1941 sales volumes, the total annual reduction made to those distribution companies is $126,721.

In the Commission's Opinion No. 90 and order issued April 16, 1943, involving the rates of the United Gas Pipe Line Company, the statement was made on page 7:

"A very substantial part of the gas consumed in the City of New Orleans is transported by Interstate Natural Gas Company, Inc. for United and in addition United purchases gas from Interstate. Any reduction in the charges of Interstate will result in a further reduction in the New Orleans gate rate. Proceedings involving Interstate's rates were instituted some time ago; hearings have been held and briefs filed therein (Docket No.

[11] Upon giving effect to the total rate reduction of $1,375,777, the Company's net utility income as indicated by the 1941 figures will be approximately $1,700,000. This amount consists of the return on the entire rate base at 6½%, amounting to $1,012,958, and the earnings on unregulated business *in excess of 6½% return*, of approximately $700,000. This sum of $1,700,000 is equivalent to a return of about 11% on the entire rate base.

G-149). This matter is under active consideration by the Commission and an early decision will be rendered."

It has been shown in the cost of service tabulation above that the rates of Interstate to United for the sale and transportation of natural gas for the New Orleans area are excessive as follows, based on 1941 operations:

For Sale of Gas	$296,869
For Transportation of Gas	347,105
Total	$643,974

In 1942, Interstate reduced its rates to United effective retroactively to August 1941. These reductions affected both the charges for the sale and for the transportation of gas for the New Orleans area. The reductions are not reflected in the figures immediately above. These reductions, on an annual basis, total $148,711 which, deducted from the above amount of $643,974, leaves a balance available for further reduction to the United Company for the New Orleans area of $495,263. The New Orleans area includes the City of New Orleans served by New Orleans Public Service, Inc., and the contiguous area served by Louisiana Power and Light Company. The bulk of this reduction is applicable to New Orleans.

After making appropriate allowance for the reductions made during the course of these proceedings by Interstate to the distribution companies and United, which reductions total $275,432 annually, we determine that the just, reasonable and non-discriminatory rates to be hereafter observed by Interstate and fixed by order of this Commission shall reflect such further reduction in rates as, when applied to the volume of gas sold and

transported under Federal regulation for 1941, will amount to not less than $1,100,345, distributed as follows:

Mississippi River Fuel Corporation	$ 301,329
Southern Natural Gas Company	146,803
United Gas Pipe Line Company (for a/c Memphis Natural Gas Company)	148,188
Distribution Companies in Mississippi and Louisiana outside of New Orleans	8,762
United Gas Pipe Line Company for New Orleans Area—Sale and Transportation	495,263
	$1,100,345

An appropriate order will be entered in accordance with this opinion.

LELAND OLDS,
Chairman,
CLAUDE L. DRAPER,
Commissioner,
BASIL MANLY,
Commissioner,
JOHN W. SCOTT,
Commissioner;
CLYDE L. SEAVEY,
Commissioner.

Dated at Washington, D. C., this 27th day of April, 1943.

LEON M. FUQUAY,
Secretary.

128 ORDER REDUCING RATES.

United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

April 27, 1943.

In the Matter of
Interstate Natural Gas Company, Inc.
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Inc., Defendant.

Upon consideration of the complaint, answer, petitions, and orders previously entered in these proceedings, the evidence of record, the briefs and oral argument, and the Commission having on this date entered and issued its Opinion No. 91 which is hereby incorporated by reference and made a part hereof;

The Commission *finds* that:

(1) Interstate Natural Gas Company, Incorporated, is a corporation organized and existing under and by virture of the laws of the State of Delaware;

(2) Interstate is engaged in the purchase, production and gathering of natural gas in the Monroe Field in the State of Louisiana, and in the transportation of natural gas so produced, purchased and gathered, out of the

State of Louisiana and through the State of Mississippi and back into the State of Louisiana;

(3) The natural gas transported as described in finding (2) is sold in interstate commerce for resale for ultimate public consumption for domestic, commercial, industrial, and other uses;

(4) Interstate is engaged in the transportation of natural gas in interstate commerce, and in the sale in interstate commerce of natural gas for resale, and is, therefore, a natural-gas company within the purview of the Natural Gas Act;

(5) The transportation and sale of natural gas in interstate commerce as described in findings (2) and (3) are subject to the jurisdiction of the Federal Power Commission;

(6) Interstate sells gas to United Gas Pipe Line at wholesale, technical delivery being made at Interstate's De Siard Compressor Station near Fowler, Louisiana, and such gas is transported by it for United through Interstate's main pipe line through the State of Mississippi and redelivered to United at Baton Rouge, Louisiana, for resale for ultimate public consumption, and these transactions constitute transportation and sale of natural gas by Interstate in interstate commerce for resale and are subject to the jurisdiction of this Commission;

(7) Interstate, as an established course of business, is engaged in the transportation, sale and delivery of natural gas purchased, produced and gathered in Monroe Field, Louisiana, to Mississippi River Fuel Corporation and Southern Natural Gas Company at a point near Perryville in the State of Louisiana, and to United Gas

Pipe Line Company for the account of Memphis Natural Gas Company at a point near Guthrie in the State of Louisiana;

(8) The natural gas purchased, produced, gathered and transported, that is sold and delivered to Mississippi River Fuel Corporation and Southern Natural Gas Company, and to United Gas Pipe Line Company for the account of Memphis Natural Gas Company, as described in finding (7), is sold and delivered by Interstate, in each instance, pursuant to the terms of a contract which provides that the gas so sold is received by the purchaser and transported by it out of the State of Louisiana for the purpose of resale in states other than Louisiana for ultimate public consumption for domestic, commercial, industrial and other uses;

(9) The natural gas purchased, produced, gathered, and transported, that is sold and delivered to the purchasers named in finding (7), moves in each instant in a constant flow from the mouths of the wells from which it is produced through pipe lines belonging to Interstate to the compressor station of the respective purchaser, and thence through said compressor stations into the pipe line of said respective purchaser and thus into and through states other than Louisiana as described in finding (8), all without interruption, and said gas is so destined from the moment of its production;

(10) The transportation and the sale of natural gas as described in finding (7) is, in each instance, the transportation and sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial and other uses, and, therefore, subject to the jurisdiction of the Commission;

(11) The actual legitimate cost of Interstate's gas plant in service as of December 31, 1941, was $21,387,157;

(12) Interstate's estimate of observed existing depreciation in its properties rests upon incomplete and inadequate data, is basically unsound and unreliable, and does not reflect the actual depreciation existing in such properties;

(13) The actual depletion and depreciation existing in Interstate's gas plant in service as of December 31, 1941, was $6,328,934;

(14) The net investment in Interstate's gas plant in service as of December 31, 1941, was $15,058,223;

(15) Construction work in progress as of December 31, 1941, amounted to $178,550;

(16) Working capital, including materials and supplies, in the aggregate amount of $347,202 will be required in the operation of the Company;

(17) For the purpose of fixing reasonable rates, Interstate is entitled to earn a fair return on a rate base consisting of the net investment in plant in service, construction work in progress, and working capital in the aggregate amount of $15,583,975;

(18) Under presently existing conditions, 6½% per annum is a fair return on that portion of the rate base devoted to the regulated business;

(19) For the purpose of determining the reasonableness of rates charged in 1941, and for the future, Interstate's total gas revenues amounted to $7,600,072;

(20) For the purpose of determining the reasonableness of rates charged in 1941, and for the future, Interstate's reasonable cost of service, including operating expenses, taxes, and return on the rate base, amounted to $5,189,197;

(21) Tested by 1941 revenues and cost of service, as described in findings (19) and (20), the rates and charges collected by Interstate from pipe line companies and distribution companies for natural gas transported and sold in interstate commerce for resale are excessive in the aggregate amount of at least $1,375,777;

(22) Since 1941, Interstate has reduced its rates to all of its distribution company customers by $126,721 and to United Gas Pipe Line Company for the transportation and sale of gas by $148,711; these reductions total $275,432 which deducted from $1,375,777 in finding (21) leaves $1,100,345 available for further reductions;

(23) The rates, charges, or classifications that are demanded, observed, charged, or collected by Interstate in connection with the transportation and sale of natural gas subject to the jurisdiction of this Commission are unjust, unreasonable and unlawful;

(24) The revenues derived from rates, charges, or classifications demanded, observed, charged or collected by Interstate in connection with the transportation and sale of natural gas subject to the jurisdiction of this Commission exceed revenues which would be derived from just and reasonable rates by the amount of at least $1,100,345;

(25) The rates and charges of Interstate, after reflecting the reduction hereinafter ordered, will be just and reasonable;

Therefore, the Commission *orders* that:

(A) The rates and charges received by Interstate for the transportation and sale of natural gas in interstate commerce for resale for ultimate public consumption shall be decreased to reflect a reduction in rates which, applied to the 1941 volume of sales, will amount to not less than $1,100,345 annually;

(B) Interstate shall file on or before May 15, 1943, new schedules of rates and charges for the transportation and sale of natural gas in interstate commerce to its customers for resale for ultimate public consumption, which shall reflect the reduction ordered in paragraph (A) above, and be just, reasonable and non-discriminatory and in accordance with the allocation of cost of service set forth in the Opinion, and such new schedules of rates and charges shall be effective as to all bills rendered on or after May 15, 1943;

(C) The Commission reserves the right to reject all or any part of such new schedules and, in lieu thereof, to prescribe any other schedules by further order;

(D) On and after the effective date of the new schedules of rates and charges filed and made effective in accordance with paragraph (B) above, Interstate shall cease and desist from making, demanding, or receiving any rates and charges which do not reflect the reduction ordered in paragraph (A) above.

By the Commission.

LEON M. FUQUAY,
Secretary.

133 PETITION OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED, FOR STAY AND MODIFICATION OF THE COMMISSION'S ORDER OF APRIL 27, 1943.

United States of America.

Federal Power Commission.

Federal Power Commission, Received May 11, 1943.

In the Matter of
Interstate Natural Gas Company, Incorporated,
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Incorporated,
Defendant.

To the Honorable Federal Power Commission:

Interstate Natural Gas Company, Incorporated, respondent and defendant in the above-entitled and numbered proceedings, hereinafter referred to as "Interstate", hereby petitions the Commission for an order herein staying and suspending the effective date and operation of its Order dated April 27, 1943 and received by Interstate on May 1, 1943, wherein Interstate is ordered to file on or before May 15, 1943 new schedules of rates and charges for the transportation and sale of natural gas for resale in interstate commerce, which new schedules shall reflect a reduction of not less than $1,100,345.00 annually when applied to the 1941 operations, and which new schedules of rates and charges shall be effective as to all bills rendered on or after May 15, 1943; and petitions for a modification of said Order by extending said date of May 15, 1943 to July 1, 1943.

The grounds upon which this petition is based are as follows:

I.

The Order gives Interstate only fourteen days after the receipt thereof within which to prepare and file schedules reflecting the ordered reductions. Even if Interstate would accept the Order as drafted and not file an application for rehearing nor file any error proceedings in Court, there still would not be ample time within which to prepare and file the schedules required by the Order. Furthermore, Interstate proposes to file an application for rehearing within the statutory period, which will be filed in good faith and based upon grounds which Interstate believes to be well-founded. It is Interstate's purpose to press for a hearing in order that certain additional facts may be brought on to the records.

II.

In the proposed application for rehearing, Interstate will point out that the reductions made to distributing companies approximately one year ago and which amounted to about $126,721. based on 1941 volumes, were made pursuant to a pre-hearing conference and with an understanding with Commission representatives that if such reduced rates were put into effect at that time and no contest would be made by Interstate with respect to that part of the case, then the reduced rates would be accepted as just and reasonable rates so far as this proceeding is concerned and no further reduction would be ordered. Said rates established are 15 cents per M.c.f., with a lower block applicable to certain additional quantities of gas taken. Interstate believes that these facts were not brought to the Commission's attention at the

time of writing the Order and will desire to bring these facts before the Commission upon rehearing. This proposal was made by Interstate as a final settlement of these particular rates, recognizing that reductions to the exact dollar shown by the Commission findings were not possible, and the Commission representatives and Interstate agreed that those proposed constituted a fair and just determination of the rates in question, and enabled early reductions to be made without any contest.

III.

Interstate believes that the Order respecting the reduction required in connection with the New Orleans area is inconsistent with the findings made by the Commission staff and the Order entered by the Commission in the recent case involving United Gas Pipe Line Company, decided in Opinion No. 90. A portion of the reduction ordered herein is based upon the revenues received by Interstate from the operation of certain pipe lines transporting gas from New Orleans from nearby fields which lines are owned by United Gas Pipe Line Company and in which Interstate has a 50% equitable interest. Since the Commission's exhibits indicated that gas sold in the Monroe Field is being sold at a loss, all of the proposed reductions designated as the sale of gas for the New Orleans area must reflect the operations of the local pipe lines by United Gas Pipe Line Company. No substantial reduction was required in the New Orleans gate rate as a result of this very operation by United Gas Pipe Line Company. Consequently, Interstate believes that a rehearing is necessary in order to bring on this record the complete facts so that Interstate will not be treated unjustly in connection with the transportation and sale of gas for the New Orleans market.

IV.

Irrespective of the action of the Commission on the application for rehearing proposed to be filed, Interstate contends that the Commission has erroneously held subject to its jurisdiction sales which Interstate makes in the Monroe Field to other pipe line companies and has committed certain other errors in said Orders. Consequently, it is Interstate's intention, pursuant to and within the time allowed by the Natural Gas Act, to file a petition to review said Order in the proper United States Circuit Court of Appeals. If the Order herein entered be not stayed and modified as herein requested, Interstate will be compelled to seek a stay order before May 15, 1943 from the Fifth Circuit Court of Appeals at New Orleans, Louisiana, even though the time for filing the application for rehearing will not then have expired. In view of the statutory provisions requiring the filing of an application for rehearing before Court action can be instituted, Interstate submits that in fairness to it and in the aid of orderly procedure the date within which action is required of it by the Order be extended to July 1, 1943. If by fixing May 15, 1943 as the date of compliance with the Order, Interstate is required to file reduced schedules until such time as it can take the appropriate review procedure provided and authorized by statute, then during such time Interstate will be penalized without having had the opportunity of any judicial review of the Commission's Order. By so doing, the Commission's Order would thus operate to deprive Interstate of its revenues during this period without any possibility of any judicial review with respect thereto, all of which would be in violation of the Due Process Clause of the Fifth Amendment to the Constitution of the United States.

Wherefore, Interstate prays that the operation of the Order dated April 27, 1943 be stayed and suspended un-

til the Commission shall rule upon a petition for rehearing to be filed herein, and that said Order be modified so that the date of May 15, 1943 therein set forth be extended to July 1, 1943; and in the event that no rehearing is granted to Interstate, then it prays that said Order be stayed pending a review of said Order by the appropriate United States Circuit Court of Appeals, as provided by the Natural Gas Act and other appropriate laws.

Respectfully submitted,
INTERSTATE NATURAL GAS
COMPANY, INCORPORATED,
By WILLIAM A. DOUGHERTY,
Vice-President.

30 Rockefeller Plaza, Room 3000,
New York, New York.

Dated: May 10, 1943.

140 ORDER EXTENDING TIME OF FILING AND EFFECTIVE DATE OF NEW SCHEDULES OF RATES AND CHARGES.

United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

May 11, 1943.

In the Matter of

Interstate Natural Gas Company, Inc.

Docket No. G-149.

Louisiana Public Service Commission, Complainant,

v. Docket No. G-132.

Interstate Natural Gas Company, Inc., Defendant.

Upon petition filed with the Commission on May 11, 1943, by Interstate Natural Gas Company, Inc., praying that the operation of the Commission's order dated April 27, 1943, in the above-entitled matter be stayed until the Commission shall rule upon a petition for rehearing which is to be filed by the Company within the 30-day period provided for in the Natural Gas Act;

It appearing to the Commission that:

Good cause has been shown for the granting of an extension of time for the filing and the effective date of the new schedules of rates and charges, as hereinafter ordered;

The Commission orders that:

The time for the filing and the effective date of the new schedules of rates and charges as provided for in paragraph "(B)" of the Commission's order of April 27, 1943, be and they are hereby extended to June 15, 1943; provided, however, that:

Nothing in this order shall be construed as extending the time within which Interstate Natural Gas Company, Inc. may file a petition for rehearing on the aforesaid order of April 27, 1943, as provided in Section 19 of the Natural Gas Act.

By the Commission.

LEON M. FUQUAY,
Secretary.

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142 PETITION FOR REHEARING OF INTERSTATE NATURAL GAS COMPANY, INCORPORATED.

United States of America.

Federal Power Commission.

In the Matter of
Interstate Natural Gas Company, Incorporated.
Docket No. G-149.

Louisiana Public Service Commission, Complainant,
v. Docket No. G-132.
Interstate Natural Gas Company, Incorporated, Defendant.

To the Honorable Federal Power Commission:

Interstate Natural Gas Company, Incorporated, Respondent-Defendant in the above-entitled and numbered pro-

ceedings (hereinafter sometimes referred to as "Interstate" or as "Respondent"), refers to the Order of this Commission, together with Opinion No. 91 accompanying said Order, both dated April 27, 1943, but not served on Respondent until on or about May 1, 1943, and respectfully applies for a rehearing in the above-entitled proceedings upon each and all of the grounds set forth in the following specifications of errors:

Specifications of Errors.

* * * * * *

2.

The Commission erred in paragraphs 7, 8, 9 and 10 of said Order in finding that Respondent is engaged in the transportation, sale and delivery of natural gas, subject to the jurisdiction of the Commission, by reason of sales made to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company, and erred in finding that such natural gas is transported and sold within the meaning of the Natural Gas Act.

3.

The Commission erred in failing to find that the sale and delivery of natural gas in the Monroe Field to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company for the account of Memphis Natural Gas Company in each instance is exempt from the jurisdiction of the Commission under the Natural Gas Act by reason of the fact that said gas is produced and gathered in the Monroe Field and deliveries are made in said field as a part of

Respondent's business of the production and gathering of natural gas in said Monroe Field.

Respondent says that the sale and delivery of natural gas made to each of said companies, in each instance, is made in a method identical with the method employed by Columbian Fuel Corporation in making sales of natural gas which the Commission held were made in the production and gathering of natural gas and therefore exempt from the Commission's jurisdiction by reason of the provisions of Section 1 (b) of the Natural Gas Act. (See In Re: Columbian Fuel Corporation, 35 P. U. R. (N. S.) 3.)

In failing to make a similar finding in respect of the sales of natural gas to each of said companies, the Commission has made an arbitrary distinction and one without legal justification, and in so doing has deprived Respondent of its property contrary to the Due Process Clause of the Fifth Amendment to the Constitution of the United States.

4.

The Commission erred in its finding made in its Opinion, commencing at the bottom of page 5 and extending through to the middle of page 9, wherein the Commission found that Respondent does not consider its transportation lines as something separate from its field lines and that natural gas which Interstate receives from other producers in the Monroe Field is then transported by Interstate together with the gas which it produces and gathers, and erred in finding that the movement of this commingled gas to the points of sale and delivery to the three pipe line companies named constitutes a transportation and sale of natural gas in interstate commerce within the jurisdiction of the Commission.

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13.

The Commission erred in failing to find as a part of the rate base an estimated $1,000,000.00 of property additions which the evidence disclosed would have to be constructed during the years 1942 to 1946.

* * * * * *

15.

The Commission erred in paragraph 17 of said Order in finding that the rate base upon which Respondent is entitled to earn a fair return consists of the net investment of gas plant in service as found by the Commission together with allowed construction work in progress and working capital, in the total amount of only $15,583,975.

* * * * * *

17.

The Commission erred in paragraph 18 of its Order in limiting the rate of return to only 6-½% per annum and in failing to find that a fair rate of return to which Respondent was entitled should be not less than 8%.

18.

The Commission erred in paragraph 20 of said Order in allowing only the sum of $5,189,197. as Respondent's reasonable cost of service, including operating expenses, taxes and return on the rate base.

19.

The Commission erred in failing to find that Respondent's reasonable cost of service, including operating ex-

penses, taxes and return on the rate base should be $6,481,599. The difference consisting of a properly allowable return of $1,533,383. instead of the allowed return of $1,012,958. and an allowance for Federal Income Tax expense of $987,450. in lieu of the allowed $215,472.

20.

The Commission erred in paragraph 21 of said Order in its finding that the rates and charges collected by Respondent from pipe line companies and distribution companies for natural gas transported and sold in interstate commerce for resale are excessive in the aggregate of $1,375,777.

21.

The Commission erred in paragraph 22 of said Order in its finding that after certain reductions previously made there is available for further reductions the sum of $1,100,345.

22.

The Commission erred in paragraph 23 of said Order in its finding that the rates, charges or classifications that are demanded, observed, charged or collected by Respondent in connection with the transportation and sale of natural gas subject to the jurisdiction of the Commission are unjust, unreasonable and unlawful, and erred in paragraph 24 of said Order in finding that the revenues derived from said rates, charges or classifications exceed revenues which would be derived from just and reasonable rates by the amount of, at least $1,100,345.

23.

The Commission erred in paragraph 25 of said Order in finding that the rates and charges ordered to be put into effect by it will be just and reasonable.

* * * * * *

26.

The Commission erred in failing to make a proper and adequate allowance for Federal Income Taxes for the future, in accordance with the Requested Findings, 95 to 113, inclusive.

* * * * * *

31.

The Commission erred in Paragraph A of said Order in ordering Respondent to decrease its rates and charges to reflect a reduction in rates which, applied to the 1941 volume of sales, will be not less than $1,100,345. annually, and erred in Paragraph B in ordering Respondent to file schedules of rates and charges to reflect said reduction.

32.

The Commission erred in Paragraph D of said Order in ordering Respondent to cease and desist from making, demanding, or receiving any rates and charges on or after the effective date of the new schedules of rates and charges required to be filed, which do not reflect the reductions ordered in said Order.

33.

Respondent says that there was enacted by the 77th Congress an Act cited as the "Emergency Price Control Act of 1942" and that the same became a law January 30, 1942, known as Public Law 421—Chapter 26—77th Congress, Second Session, and appears in United States Code Annotated, Title 50, Section 901 to Section 946, inclusive. Said Act is stated to terminate on June 30, 1944, but during the continuance thereof the Office of Price Administration created thereby is given full and complete authority over maximum prices of commodities and services. In Section 302 of said Emergency Price Control Act (U. S. C. A. 50, Section 942c) it is provided "that nothing in this Act shall be construed to authorize the regulation * * * (2) rates charged by any common carrier or other public utility * * *." Respondent says that it is not a public utility, and that the Natural Gas Act does not define a natural gas company as a public utility, but provides that the regulation of the prices charged by natural gas companies is necessary in the public interest and that the business of selling natural gas for ultimate distribution to the public is affected with a public interest.

Acting pursuant to the authority conferred by said Act, the Office of Price Administration has fixed maximum prices for natural gas in Price Schedule No. 88, being referred to as Part 1340—FUEL—Section 1340.159, Appendix A, paragraph (d), in which the maximum price for natural gas, known as "dry gas", is fixed at such price that could be charged under the terms of a contract in effect May 1, 1942. (Federal Register, December 30, 1942, Volume 7, Number 254, page 11069.) Respondent says that the prices which it now is charging its customers for gas sold for resale is in no instance higher

than that in effect for each such customer on May 1, 1942 and in some instances is less than the price in effect on that date. Respondent says that under the regulations established by the Office of Price Administration, Respondent has the right to charge the prices now in effect, providing that said Emergency Price Control Act is applicable to the sales of gas by Respondent, during the period of the effectiveness thereof which now provided is to extend to June 30, 1944.

Respectfully submitted,

INTERSTATE NATURAL GAS COMPANY, INCORPORATED.

Dated: May 13, 1943.

* * * * * * * * * *

ORDER MODIFYING ORDER REDUCING RATES AND DENYING PETITION FOR REHEARING.

161 United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, John W. Scott and Clyde L. Seavey. Basil Manly not participating.

June 9, 1943.

In the Matter of

Interstate Natural Gas Company, Inc.

Docket No. G-149.

Louisiana Public Service Commission, Complainant,

v. Docket No. G-132.

Interstate Natural Gas Company, Inc., Defendant.

Upon consideration of the petition filed with the Commission on May 18, 1943, by Interstate Natural Gas Com-

pany, Inc., praying for a rehearing on the Commission's Order Reducing Rates entered on April 27, 1943, and the Commission's Opinion No. 91; and

Upon a re-examination of said order, in so far as it provides for a reduction of $8,762 in rates to seventeen distribution companies in Mississippi and Louisiana outside of New Orleans;

The Commission *finds* that:

(1) The reduction in rates to the aforesaid distribution companies, resulting from rate schedules filed by Interstate and made effective on August 1, 1942, represents compliance with the Commission's order, in so far as rates applying to distribution companies in Mississippi and Louisiana outside of New Orleans are concerned;

(2) No new facts have been presented or alleged, and no arguments or principles of law have been stated in Interstate's Petition for Rehearing which justify a reversal or modification of the Commission's order of April 27, 1943, other than to the extent of the modification provided for in this order;

Therefore, the Commission *orders* that:

(A) The Commission's Opinion No. 91 and order of April 27, 1943, be and they are hereby modified by excluding therefrom the item of $8,762 appearing at page 32 of the said Opinion, applying to distribution companies in Mississippi and Louisiana, outside of New Orleans;

(B) The total ordered annual reducton of $1,100,345 as set forth at pages 31 and 32 of the aforesaid Opinion

No. 91, and at page 4, paragraph "(A)" of the order of April 27, 1943, be and it is hereby reduced to $1,091,583;

(C) The Commission's order of April 27, 1943, the effective date of which was heretofore extended to June 15, 1943, shall in all other respects remain and continue in full force and effect;

(D) The petition of Interstate Natural Gas Company, Inc., for rehearing be and the same is hereby denied.

By the Commission.

LEON M. FUQUAY,
Secretary.

TRANSCRIPT OF HEARING BEFORE THE FEDERAL POWER COMMISSION.

* * * * * * *

Mr. Frye:

Mr. Examiner, on behalf of the Louisiana Public Service Commission I would like to call attention to the fact that there are two proceedings pending here, as previously outlined by you, one of which originated with our complaint filed with the Federal Power Commission against the Interstate, and another dealing with the action instituted on the Federal Power Commission's own motion.

Since the filing of our complaint, there have been certain developments in connection with this case, particularly with respect to litigation, that have placed us in a little awkward position, and while we will have a limited amount of testimony to offer, the nature of that testimony is such that we feel it should go into the record

early in the hearing, possibly first, if that is agreeable to the Examiner and the other parties at interest.

Trial Examiner:

Just what is the nature of that evidence?

Mr. Frye:

Well, shortly after our case was instituted, or prior, as a matter of fact, to the time our case was instituted before your Commission, we had instituted proceedings of our own against the Interstate to investigate their rates and charges; and after the proceeding was instituted by us they excepted to our jurisdiction on the ground that they were not common carriers, they were not public utilities, and that they were engaged in interstate commerce, over which we had no jurisdiction.

Our investigation proceeded to a certain point, at which litigation was encountered, and that litigation was tried in the Courts and we were ultimately held to be without jurisdiction. All of the exceptions that they had filed before us were urged before the Court, and were sustained by the Court, and we were permanently enjoined from further attempting to exercise any jurisdiction or further attempting to inquire into the affairs of this Company.

That more or less estopped us from further proceeding with our investigation either before our Commission or in an effort to properly prosecute our case before this Commission; and it was at that time that our proceeding was instituted before you, seeking to have you make this investigation. And our testimony in this case will be confined to a historical statement of what happened before our Commission in our efforts to investigate this company, and a reflection of what our findings were in the matter up to the point that we were stopped by the Courts, under the injunction.

Trial Examiner:

I would like for the parties to state the issues in the proceeding. I assume that there have been some agreements with respect to some points which ordinarily are involved in a rate case. I would like a statement from counsel for each of the parties as to what they consider the issues in the proceeding. Perhaps a statement from counsel for the Federal Power Commission would be appropriate to start with.

Mr. Lange:

I think this, Mr. Examiner, the proceeding involved in the investigation in Docket G-149 is one of the general investigation of the Interstate Natural Gas Company, Incorporated, and of course in its very nature and essence involves all matters relevant to such an investigation; and the Commission, when it issued its order, and when its staff proceeded to do the work in connection with that investigation, of course went into all matters at issue and all matters over which the Commission would have jurisdiction.

It is true, as Mr. Dougherty just stated, that in connection with some of the matters it is our understanding that the Company will not offer any extensive exhibits, particularly the accounting matters, and in view of that Commission counsel at the proper time would be prepared to present our accounting exhibits; and the Company will then, as I understand it, present whatever matters it has in objection to any portion of those exhibits.

Mr. Dougherty:

That is true.

Mr. Lange:

So that procedure would be agreeable with counsel for the Commission, and I think it ought to proceed on that

basis, with the permission of the Examiner, rather than having any stipulation as to what would be agreed to or not agreed to. I think if we would proceed in that fashion as outlined, it would get into the record in orderly fashion and present exactly what each of the parties contend.

Trial Examiner:

Yes, I think that would be the proper procedure.

What is the position of counsel for the Company, other than as already stated?

Mr. Dougherty:

Well, with respect to the items with which we have informally agreed with the staff—for example, original cost—we are making no contest on the original cost as determined by the staff; and as will be presented in the staff's exhibit in this case on the matter of remaining reserves in the field, Monroe Field, we have reached an agreement with the appropriate members of the staff on that. We haven't reduced anything to a formal stipulation, and my thought was that as these various exhibits would be put in, that either at that time we would say that we have no contrary testimony to offer with respect to that, or that with the exception of certain items it is accepted.

As Mr. Lange says, I think that will appear, then, as we go forward in the hearing.

There is only one point that does present any special consideration. The Company sells to three pipe line companies in the Monroe Field, and we will, in this case, urge the question of jurisdiction over those sales on the ground of that provision of the law that says that the Act does not confer jurisdiction on the Commission over production and gathering. With respect to that particular item, we will have testimony that will set forth the

manner and method of operation in the field, and where deliveries are made. Those deliveries are to Mississippi River Fuel Corporation, which then transports the gas north out of Louisiana into Arkansas, Missouri and Illinois; to Southern Natural Gas Corporation, which transports it across the Mississippi River into the States of Mississippi and Alabama and Georgia; and to the United Gas Pipe Line Company, which in turn sells that same gas to the Memphis Natural Gas Company and which is transported through Arkansas up to Memphis.

Those three particular sales we will, at the appropriate time, put in evidence on the jurisdiction over that.

With respect to all the other matters we are raising no question of jurisdiction, and I think as we go forward it will appear that the matters in contest in this case are limited within a very narrow scope.

Mr. Lange:

In connection with counsel's statement as to contesting jurisdiction on certain sales, it is Commission counsel's position that the Commission has jurisdiction over those sales under the Natural Gas Act, and we will so contend in this proceeding.

* * * * * *

P. A. FRYE, appearing as a witness herein, having been first duly sworn, testified as follows:

Direct Examination.

The Witness:

My name is P. A. Frye. I live in Baton Rouge, Louisiana. I am Secretary of the Louisiana Public Service Commission, which position I have held for almost ten years.

I appear here by authority of and at the direction of the Louisiana Public Service Commission.

Our Commission is the complainant in Case 132-G on the docket of the Federal Power Commission, which has been consolidated for hearing here today with Docket 149-G, an investigation instituted by the Federal Power Commission on its own motion into the rates, charges and practices of the Interstate Natural Gas Company, Incorporated.

With the exception of a few documentary offerings, the Louisiana Public Service Commission will, for reasons which I will explain, have no factual evidence to offer in these proceedings, but will of necessity rest its interests in these cases upon such facts as have been developed by the investigation conducted by the Federal Power Commission.

On June 14, 1937, a full year prior to the enactment of the Federal Natural Gas Act, the Louisiana Public Service Commission directed citations to the major pipe line companies serving the Louisiana gas fields and engaged in transporting gas to numerous retail gas distributing systems in the State, to show cause why the Commission should not investigate their affairs and readjust their rates.

These citations were motivated partly by general complaints of gas consumers in the State, particularly in the central and southern portions, against the existing rates and charges of the retail distributing systems; and partly by a general impression on the part of the Louisiana Commission, based upon financial and statistical information relating to the earnings of the pipe line companies, including Interstate Natural Gas Company, Inc., that the operations of the pipe line companies were resulting in excessive and unreasonable returns. The Louisiana Commission to start with entertained no doubt as to its jurisdiction over the retail distributing systems, except in a

few instances where they were specifically exempt from its jurisdiction under the articles of the Constitution creating the Commission, or by legislative act. At the same time, it realized the futility of attempting to fix just and reasonable rates for these retail distributing systems unless and until just and reasonable rates were fixed for the pipe line companies which supplied them with gas.

On June 14, 1937, Interstate Natural Gas Company, Inc., was made respondent in one of these cases, No. 2720 on the Louisiana Commission's docket. On June 21, 1937, that company excepted to our Commission's jurisdiction on the grounds:

(a) that it was not a common carrier pipe line;

(b) that it was not a public utility; and

(c) that a preponderance of the gas sold by it moved in interstate commerce, not subject to regulation by State authority.

These exceptions were in due course heard and taken under advisement.

Our Commission later issued its Order No. 2090 in Case No. 2720, in which it found adversely to Interstate's exceptions and held that Interstate Natural Gas Company, Inc., was a public utility subject to its jurisdiction, and it ordered Interstate to give to our Commission and its representatives access to its property, books and records, for the purpose of determining fair and reasonable rates and charges for gas transported or sold in intrastate commerce in Louisiana.

A certified copy of Louisiana Public Service Commission Order No. 2090 is offered in evidence, to be marked as Exhibit No. 1.

(The document referred to was marked as Exhibit No. 1 for Identification.)

Trial Examiner:
Have copies of this document been served on counsel?

The Witness:
I am doing so now.

Trial Examiner:
Is there any objection to Exhibit No. 1?

(No response.)

Trial Examiner:
Exhibit No. 1 is admitted in evidence.

(Exhibit No. 1 was received in evidence.)

Trial Examiner:
Proceed.

The Witness:
Interstate timely applied for rehearing and reconsideration, and this application was granted to the extent that the matter was orally reargued and supplemental briefs filed. On May 25, 1939, the Louisiana Commission issued its Order No. 2217, reaffirming its Order No. 2090 in all respects.

A certified copy of Louisiana Public Service Commission Order No. 2217 is offered in evidence, to be marked as Exhibit No. 2.

(The document referred to was marked as Exhibit No. 2 for Identification.)

Trial Examiner:
Is there any objection to Exhibit No. 2?

Mr. Dougherty:
No.

Trial Examiner:
Exhibit No. 2 is admitted in evidence.

(Exhibit No. 2 was received in evidence.)

The Witness:
These two orders, together with our original petition and complaint filed with the Federal Power Commission in connection with Docket 132-G, set forth all the pertinent facts relating to the subject matter so far as it was possible for the Louisiana Commission to develop them.

In the interim between the date of our original citation to Interstate, June 14, 1937, and the date of Order 2217, the Natural Gas Act of 1938 was adopted.

The validity of the Natural Gas Act, so far as I know, had not been passed upon by a Court of final resort at the date of our Order No. 2217. However, anticipating the validity of the Act in the event it were contested, and in recognition of the fact that a substantial part of the gas transported by the pipe line of Interstate intended for resale to the public in Louisiana did move by way of an interstate route between the points of origin and consumption, the Louisiana Commission, simultaneously with the handing down of its Order No. 2217 on May 25, 1939, prepared and filed with the Federal Power Commission its complaint and petition directed against Interstate. This complaint and petition was docketed as No. 132-G. Appropriate relief was therein sought as to the matters and things complained of insofar as the Federal Power Commission was vested with jurisdiction.

Interstate thereupon filed against the Louisiana Commission, in the Federal District Court for the Eastern District of Louisiana, Baton Rouge Division (Interstate Natural Gas Company, Inc., vs. Louisiana Public Service Commission et al., Civil Action No. 38) a suit of injunction.

The grounds alleged in Interstate's bill of complaint were substantially those urged in Interstate's exceptions to our Commission's jurisdiction when the matter was before us.

Interstate's application for a preliminary injunction was denied, but the matter was subsequently considered by the Court on its merits, and the Court held the operations of Interstate Natural Gas Company, Inc., not to be subject to the jurisdiction of our Commission, on the grounds that Interstate was not a common carrier pipe line under provisions of Louisiana law; that it was not a public utility, and that the vast preponderance of its operations were in interstate commerce not subject to regulation by State authority. As a result, our Commission was permanently enjoined from proceeding further in the case or from otherwise interfering with the business and affairs of Interstate.

No appeal was taken from that judgment.

The Commission felt that, the Federal Natural Gas Act of 1938 having been enacted, the facts which it had undertaken and would undertake to develop in respect of Interstate's rates and charges to retail gas distributing systems in Louisiana could and would be more fully developed by the Federal Power Commission because of its adequate personnel and facilities.

Shortly after the filing of our Commission's complaint and petition under Docket 132-G, the Chairman of our Commission had a conference with officials and members of the staff of the Federal Power Commission at Washington, as a result of which the Federal Power Commis-

sion instituted its own investigation under Docket No. 149-G.

I make this statement in order that the Examiner and the Federal Power Commission may clearly understand the position of the Louisiana Commission, especially as to its complaint under Docket 132-G.

The circumstances I have detailed have so effectively tied our Commission's hands that it has been unable to do anything of an affirmative nature in attempting to develop evidence to sustain the allegations of its complaint and petition under Docket 132-G without incurring grave risk of placing itself in contempt of the Court's injunction.

That concludes my statement on direct.

* * * * * *

Mr. Dougherty:

If the Examiner please, I have exhibits first to be marked for identification as Exhibits 3, 4, 5, 6 and 7.

(The documents referred to were marked as Exhibits Nos. 3, 4, 5, 6 and 7, respectively, for identification.)

Mr. Dougherty:

If the Examiner please, the Respondent has had marked for identification a number of exhibits. That marked as No. 3 is a general statement covering the organization of the Interstate Natural Gas Company, Incorporated, and a description of its property, and in brief some of its operations.

That marked as Exhibit No. 4 for identification is an agreement between Standard Oil Company (New Jersey) and Ford, Bacon and Davis, Inc., dated October 9, 1925.

Exhibit No. 5 for identification is an acreage map which shows the acreage in the Monroe Field not only of re-

spondent, but also of other producers in that field, including United Carbon Company, Southern Carbon Company, Hope Producing Company, and Union Producing Company, those companies all being involved in the sale of gas to the three pipe lines which I mentioned earlier, the Mississippi River Fuel Corporation, the Southern Natural Gas Company, and Memphis Natural Gas Company.

Exhibit No. 6 for identification is a field line map, showing all of the field lines of Interstate Natural Gas Company, and also containing on its face certain acreage designations in colors, as shown on the map.

Exhibit No. 7 for identification is a main line map which shows the main pipe line of the respondent, which starts at the Desiard compressor station and then continues on to Baton Rouge.

I suggested to Mr. Lange that in the interests of shortening the record, that if it was agreeable to the Examiner, that rather than have this first statement read into the record, I merely offer it as the statement of the Company, with respect to the matters dealt with, and then that if he wished to make any cross examination on it, that Mr. Lerch, the President of the Company, could take the stand and be subject to cross examination.

The statement and the other exhibits which I have referred to have all been furnished Mr. Lange previous to this week, and as far as I know he has had an opportunity to familiarize himself with the contents. So that if that is acceptable to the Examiner, my preference in procedure would be merely to offer these various exhibits which have been marked for identification, and then if Mr. Lange wishes to raise any question as to the accuracy of them, he can do so by cross examination of Mr. Lerch as to the statement, and then of others who participated in preparing the maps.

I think that that is appropriate in view of the fact that so much of the material that we have in these ex-

hibits here has already been furnished to the Commission staff in their investigation. So that would be my preference, if it is satisfactory.

Trial Examiner:

I think it will be well to have the witness sworn and have him identify these documents and make the statement that the facts contained therein are true to the best of his knowledge, and so forth, and then cross examination may be deferred until counsel have had an opportunity to check them for that purpose.

Mr. Lange:

And also admission of the exhibits deferred until after cross examination.

Trial Examiner:

Yes.

Mr. Dougherty:

Mr. Lerch, will you take the stand?

Whereupon, FRANK H. LERCH, JR., called as a witness on behalf of the Respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Dougherty:

Q. Will you state your name and your residence?

A. My name is Frank H. Lerch, Jr. I live in Jackson Heights, New York. My office address is 30 Rockefeller Plaza, New York City.

Q. What is your connection with Interstate Natural Gas Company, Incorporated, the respondent in these proceedings?

A. I am the President of that company.

Q. What was your first connection with the respondent?

A. I was interested first in the acquisition of the acreage at the end of 1925, and later in 1926, in the records and operations of the Company during construction, and beginning with the end of 1927 I was resident manager of the Company until December 1, 1933, when I left Louisiana and went to New York to live. At that time I became a Vice President and Director, and about May, 1935, as I remember the date, I was elected President and a Director, and have been that since that time.

Q. So that, since 1926 you have spent all or a substantial part of your business time in connection with the affairs of the respondent?

A. Certainly up to the end of 1933, I spent practically all of my time. After that, a large part of my time.

Q. Mr. Lerch, there have been marked for identification a series of documents, starting with Exhibit No. 3 and continuing consecutively to Exhibit No. 7, inclusive. Exhibit No. 3 is headed, "General Description of Organization, Property and Business" of Respondent.

I think you have had a part in preparing that and have become familiar with its contents?

A. That is right.

Q. And do the statements contained in that Exhibit No. 3 represent facts, as they are purported to be there, and are they correct according to the best of your knowledge and belief?

A. They are.

Q. Now there has been identified as Exhibit No. 4 the Agreement Between Standard Oil Company (New Jersey) and Ford, Bacon & Davis, dated October 9, 1925. Is that a copy of the agreement that was entered into at that time?

A. It is, yes, sir.

Q. Exhibit No. 5 for identification is an acreage map of the Monroe Field, which has been prepared by the engineering department of the Company. Based on your general knowledge of the acreage in that field, is that map a correct representation of the ownership of gas acreage there?

A. To the best of my belief it is a correct representation.

Q. And in any event, there are employees of the Company present who can, in detail, substantiate these various colors and other items shown on the map?

A. That is right, and the records of the Company, of course, would prove ultimately that that was the property of the Interstate.

Q. And this map was made especially at the request of yourself and counsel for use in this case?

A. That is right.

Q. Then there has been marked as Exhibit No. 6 for identification a map showing the field lines of Interstate Natural Gas Company. Does that fairly represent the lay-out of the field lines of the Company in the Monroe Field?

A. It does, yes.

Q. Also shown on here in color, various colors, is the acreage of certain producers, which producers have acreage also shown on the acreage map, No. 5, I believe?

A. That is right.

Q. And this map was prepared at the request of yourself and counsel for use in this case?

A. That is right.

Q. Exhibit No. 7 is the main line map showing the extent of the main pipe line starting at Desiard Station at Fowler, Louisiana, and continuing on to Baton Rouge, and then showing the points of delivery to various customers of Interstate in that area South of Baton Rouge as far as Destrehan, and from which deliveries are made

and from which the gas is taken from the pipe line of the United Gas Pipe Line Company. Does that fairly represent the location of the main pipe line facilities of the Company?

A. It does, yes.

Q. And this also was prepared at the request of yourself and counsel for use in this proceeding, by the Engineering Department of the Respondent?

A. That is right.

Mr. Dougherty:

If the Examiner please, in Exhibit No. 3 for identification reference is made to these succeeding Exhibits, 4, 5, 6 and 7, and there are certain blanks that are left, or were left, since we didn't know the numbers. Would you like to have us have those filled in now, or do you wish to have that detail await the reception of these exhibits in evidence?

Trial Examiner:

I think it would be well that these blanks be filled in now.

Mr. Dougherty:

That would be my thought, and if those who have Exhibit 3 will turn to it, I can tell what those numbers should be.

On page 1 at about the 7th line, reference is made to the agreement between Standard Oil Company (New Jersey) and Ford, Bacon & Davis, and that is Exhibit 4.

The next place is on page 4, down about the middle of the page, where reference is made to a map of the Monroe Field, and that should be Exhibit 5.

Also on that same page, page 4, at the bottom, reference is made to a map showing wells and field lines, and that is Exhibit 6.

On page 6 at about the middle of the page, reference is made to the main transmission line map, and that should be Exhibit 7.

Those are all of the blanks that are required to be filled in. That is because this whole group of exhibits is a series dealing with the same subject matter.

That is all the direct examination of this witness.

Trial Examiner:

Cross examination of this witness will be deferred until counsel have had an opportunity to check the exhibits. Ruling will be deferred also on the exhibits.

We will take a recess of five minutes.

(Whereupon, a five-minute recess was taken.)

Mr. Dougherty:

If the Examiner please, certain of the rate schedules which the respondent has on file with the Federal Power Commission are to be introduced as exhibits, and I have here for marking in the first instance a group of contracts that relate to sales in the field.

I will ask that the reporter mark these documents as Exhibits 8 to 12 inclusive, respectively, for identification.

Trial Examiner:

They may be so marked.

(The documents referred to were marked for identification as Exhibits 8 to 12 inclusive.)

Mr. Dougherty:

If the Examiner please, we have had marked for identification as Exhibit No. 8 a list of Federal Power Commission rate schedules which respondent has on file, and

in that list reference is made to the original filing, together with all the various supplements, the effective dates and the filing dates, and if a particular supplement or exhibit has expired, that notation is made in the column headed "Remarks".

Then as Exhibit 9 for Identification we have had marked the existing Rate Schedule FPC No. 4, which is referred to in Exhibit 8 on the first sheet or two. That Exhibit No. 9 for Identification is the agreement for the sale of gas to the Mississippi River Fuel Corporation. It will be noted that the agreement is not only with the Interstate Natural Gas Company, Incorporated, but is also with the Hope Producing Company. That joint contractual arrangement will be found to exist with respect to all of these field sales, since those two companies together furnish a certain quota of gas that is sold to the customer in each instance.

Exhibit No. 10 for Identification, which is Rate Schedule FPC No. 24, is a contract covering the sale of gas to the Southern Natural Gas Company.

Marked as Exhibit No. 11 for Identification is FPC Rate Schedule No. 15, being a contract with United Gas Pipe Line Company, formerly the Southern Gas & Fuel Company, for the sale of gas to that company in the field.

Exhibit No. 12 for Identification is Rate Schedule FPC No. 6, which is the contract for the sale of gas to United Gas Public Service Company for delivery to the Memphis Natural Gas Company. It so happens that the original contract in the field for the sale to Memphis Natural Gas Company was made by a predecessor of United Gas Pipe Line Company and it, in turn then, buys a certain proportion of the gas so sold from other producers in the field. So that our contract is not with the Pipe Line Company but is through the United Gas Pipe Line Company for delivery to the Memphis Natural Gas Company.

These have been compiled by us in exact accordance with the documents on file, and, so far as we know, are exactly in accordance with those.

So I will just offer for the record, in evidence, Exhibits 8 to 12 inclusive.

Mr. Lange:

In connection with the exhibits that you have just offered, which of the exhibits incorporate the rate schedules on which the company is resisting jurisdiction?

Mr. Dougherty:

That would be Exhibits 9, 10 and 12. Exhibit No. 11 covers the sale to United Gas Pipe Line Company in the field, which gas is then transported by Interstate Natural Gas Company through its pipeline to Baton Rouge and is a part of the general sale of gas to New Orleans, and we are not raising any question on that, but on the other three.

Trial Examiner:

These exhibits, as I understand it then, represent true copies of schedules and the supplements thereto, on file presently with the Federal Power Commission?

Mr. Dougherty:

That is correct.

Trial Examiner:

Is there any objection to these exhibits?

Mr. Lange:

None, excepting that they would be subject to checking with those that are on file; as to any possible errors or discrepancies.

Mr. Dougherty:
That is satisfactory.

Trial Examiner:
I assume of course that the original would take preference in any case where there might appear to be a deviation therefrom. Does counsel for the Federal Power Commission have in mind making a check of these documents within the next day or so?

Mr. Lange:
Yes, sir.

Mr. Dougherty:
I might say, Mr. Examiner, that as will be noted, a good part of these contracts are printed, and there are some that are not. However, they present the same difficulty, and that is that we don't have enough copies to furnish the complainant or intervener, but for their information these particular contracts refer to sales in the field which do not concern themselves with deliveries in Louisiana whatsoever. So I think that because of my inability to furnish copies it will not be in any way a detriment to them.

* * * * * *

I will ask that these documents be marked for identification as Exhibits Nos. 31 to 37, inclusive.

Trial Examiner:
They may be so marked.

(The documents referred to were marked as Exhibits Nos. 31 to 37, inclusive, for identification.)

Mr. Dougherty:

If the Examiner please, I have had marked for identification as Exhibit No. 31, a List of Agreements Covering Sale of Natural Gas for Resale to a group of communities or distributing companies for resale in various communities in the State of Louisiana, along the respondent's pipe line West of the Mississippi River, that is, through the territory before the pipe line crosses the River and gets into interstate commerce. Those have been marked as follows:

As Exhibit 32, an agreement with Louisiana Power & Light Company for resale of gas in Ferriday, Louisiana;

As Exhibit No. 33, an agreement with Louisiana Power & Light Company for resale of gas in Gilbert, Louisiana;

As Exhibit No. 34, a contract with Louisiana Power & Light Company for resale of gas in Wisner, Louisiana;

As Exhibit No. 35, a contract with the Peck Gas Company for resale in the town of Peck;

As Exhibit No. 36, a contract with Sicily Island Gas Company, Inc., for the resale of gas in that community, or a community known by that name, I don't know whether it is a town or not;

As Exhibit No. 37, a contract with the Town of Vidalia, Louisiana, for distribution in that town.

These contracts, that is, Exhibits 32 to 37, both inclusive, have not been filed with the Federal Power Commission for the reason I have indicated. They are, to the best of my knowledge and belief, exact copies of our contracts, they were prepared in New York, and I don't know that I have here anyone who could immediately testify that they are accurate copies, without first examining them. I think I can assure the Examiner and counsel for all parties that they are exact copies, however, and were prepared at my request for use if it were deemed advisable to put them in in this case.

Trial Examiner:
Under your view of the matter, these would be intrastate sales?

Mr. Dougherty:
That is right.

Trial Examiner:
Are they on file with the Louisiana State Commission?

Mr. Dougherty:
No. That is, they are intrastate sales in this sense, that they represent about 1/10 of 1 percent of the amount of business that is sold. When this litigation that the Commission speaks about was brought up, they were seeking to exercise jurisdiction over all of the Company's business, and I think the viewpoint of the Court was that this was such an immaterial part of the total business of the Company, as not to give them jurisdiction. We have never filed them with the Federal Power Commission because the gas is delivered to those companies before the gas actually moves in interstate commerce. I think the question as to whether the Power Commission could exercise jurisdiction over them because of their relationship to the interstate business of the Company, that is, it all being co-mingled gas and being just a small amount of gas that comes out of the Interstate stream as it passes along, would present a legal question that might be decided to hold that the Federal Power Commission had jurisdiction.

But there has been no question about that, and as I say, the reason they were not filed was because of that fact, and then also there is some question as to what jurisdiction the Louisiana Commission has over the wholesaling of gas as distinguished from the distribution companies. I don't mean by that to get into any con-

troversy as to whether they have or not, but you see that this is a sale at wholesale and not a sale that is the ordinary sale by a distributing company.

Trial Examiner:

Well, what I was trying to determine was whether or not there was any official copy against which these copies might be checked. I assume that there is none?

Mr. Dougherty:

There is an official copy which lies in the files of the Company, I think in New York. There may be one in Monroe, I am not sure. These were prepared in New York and checked. I didn't do it myself, but I had it done and I have every assurance that they are accurate.

Now in the lawsuit, Mr. Lerch reminds me that in the lawsuit which we had with the Louisiana Public Service Commission, all of these contracts were introduced in evidence with the prices deleted, and we did identify them there, and I think Mr. Cahn, the counsel for the Commission at that time, is here in New Orleans, and if he has the record they could be checked against those copies because they are official exhibits in that case, and were introduced officially in evidence.

Mr. Lange:

These are complete copies, as I understand it, Mr. Dougherty?

Mr. Dougherty:

Absolutely. I would expect that if I gave them to somebody to compare with the signed copies of the effective contracts, they would get on the stand and say they are. That would be my anticipation.

Mr. Lange:

Then he would have no objection.

* * * * * *

BERNIE WILENZICK, called as a witness on behalf of the Respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Dougherty:

Q. Will you give us your name and residence?

A. My name is Bernie Wilenzick and my address is Monroe, Louisiana.

Q. By whom are you employed?

A. By the Interstate Natural Gas Company, Inc., in their Monroe office.

Q. What is your position with that company?

A. My position is that of Chief Clerk of the Gas Measurement Department.

Q. How long have you worked for the Interstate Natural Gas Company?

A. Since 1929.

Q. And what different jobs have you had since you started to work for them?

A. Since 1929 I have been most of the time in the Gas Measurement Department, which deals with the measurement of gas and the billings therefor.

Q. Do you have in your Department the company records and statistical data that show the quantities of gas sold and the prices charged and collected therefor from the various customers?

A. I do.

Q. Do you also have in your department records relating to the quantities of gas purchased in the Monroe field, or elsewhere, by Interstate?

A. Yes.

Q. I hand you, Mr. Wilenzick, a document that has been marked for identification as Exhibit No. 38, and which has a heading, "Analysis of Present Purchase Contracts in (1) Monroe Field; (2) Fields Other Than Monroe Field." Did you prepare that statement at the request of Mr. Cooper?

A. Yes, I did.

Q. And what does that statement show, that is just in brief, not reading the figures but I mean the substance of it?

A. It shows an analysis of all our present purchase contracts segregated as to the Monroe Field and the Fields Other Than the Monroe Field.

Q. And was the information which is contained in that exhibit prepared by you from the Company's records?

A. Yes, it was.

Q. And is it correct to the best of your knowledge and belief?

A. It is.

Q. I hand you a document that has been marked for identification as Exhibit No. 39, and which is entitled, "Analysis of Field Sales Contracts Years 1937 to 1941, Inclusive". Did you prepare that statement?

A. Yes.

Q. And was it prepared from the records of the Company?

A. Yes.

Q. And is it correct and does it show the facts with respect to those field sales, to the best of your knowledge and belief?

A. Yes, it is and it does.

Q. I am handing you a document which has been marked for identification as Exhibit No. 40, and which

has been headed, "Analysis of Present Industrial Contracts—Years 1937 to 1941, Inclusive". Did you prepare that statement?

A. Yes.

Q. And is that from the Company's records?

A. Yes, sir.

Q. And is the information contained in there correct according to the best of your knowledge and belief?

A. Yes.

Q. I am now handing you a document which has been marked for identification as Exhibit No. 41 and which is entitled, "Analysis of Sales to Distributing Companies—Years 1937 to 1941 Inclusive". Did you also prepare that from the records of the Company?

A. Yes.

Q. And are the facts contained in there correct?

A. Yes, sir.

Q. Does that last named exhibit show the sales to the municipalities which do their own distributing of gas?

A. Yes.

Q. That is, although the title says "Distributing Companies", that shows all sales for either municipalities or distributing companies for resale?

A. Yes, sir.

Mr. Dougherty:

That is all the direct examination of this witness and I wish to offer in evidence Exhibits Nos. 38 to 41 inclusive.

EDEL F. BLANKS, called as a witnes on behalf of the Respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Dougherty:

Q. Will you state your name and address, please?

A. Edel F. Blanks; and my address is Monroe, Louisiana.

Q. What connection do you have with the Interstate Natural Gas Company?

A. At the present time I serve in the capacity of Production Superintendent and Chief Dispatcher.

Q. And as Production Superintendent and Chief Dispatcher do you have full charge of the field operations of the Company in the Monroe Field?

A. I do.

Q. As well as other fields where they buy gas?

A. I do.

Q. How long have you been working for the Interstate Natural Gas Company?

A. Since April 1, 1926.

Q. Will you tell us what your first connection was, and what different jobs have been that you have had with that Company?

A. In April 1926 I was employed by Ford, Bacon & Davis, Inc. at their construction office at Desiard Compressor Station near Fowler, Louisiana. My duties at that time were general construction office work, time keeping, and numerous other miscellaneous jobs. Later I worked on the pipeline in the capacity of time-keeper, checking pipe, and odd jobs. I went back to Fowler in about September of 1926 in the same capacity as I started.

When operation of the pipe line began in January, 1927, I served as a dispatcher probably up until April or

May of that year, at which time I was transferred to the Gas Measurement Department in the Monroe office. My duties there consisted of part-time work in the office, dealing with gas measurement problems, and part field work, pertaining to repairs of meters and running gravity tests and other items connected with gas measurement. I served as part time field and office employee until about 1928 or 1929, at which time I supervised the gas measurement work in the Monroe office exclusively.

In 1932 I was promoted to chief dispatcher for the Interstate Natural Gas Company. My duties then consisted of maintaining proper pressures on the main line and in our gathering system in the field, and seeing that the quantities of gas delivered from each point of delivery were within the contracts as existed from purchasers and also as far as production was concerned.

In 1938 I was put in charge of gas measurement along with dispatching and production, which I had assumed charge of sometime between 1932 and 1938, and I have been employed in that capacity to this date.

Q. Now as chief dispatcher of the Interstate Natural Gas Company does there come under your jurisdiction the question of the movements of gas which Interstate both produces and purchases, to its various customers?

A. Yes.

Q. In addition to that, do you have anything to do with dispatching of gas that is delivered to the Mississippi River Fuel Corporation by other vendors in the Monroe Field than Interstate?

A. Yes, as chief dispatcher for Interstate I, and the dispatchers under my supervision, am charged with the responsibility of making contacts for dispatching purposes with the Mississippi and with the Southern Natural Gas Company. Those contacts consist of the acceptance of designated amounts of gas which they want delivered

to them. We then compute the amount of gas to be allocated to each one of the four producers making deliveries to those two points, and in turn we notify these producers that there is to be a change in their delivery to these customers, and when we have been advised by them that they are ready to make the change in the deliveries, we notify the dispatchers at the Mississippi River Fuel and they make the changes in deliveries from the producers to each, the Southern Natural and the Mississippi River pipelines.

Q. So that with respect to deliveries made to Southern Natural Gas Corporation and Mississippi River Fuel Corporation is it true that your dispatching organization, and by that I mean that of the Interstate Natural Gas Company which is under your charge, stands in between each of those two pipeline companies and the other producers in the field that sell to them, as a dispatching unit to handle the deliveries of gas and keep the quantities coming in at the proper amounts that should be delivered?

A. That is correct.

Q. Do you know the names of those other producers?

A. Yes. The United Gas Pipe Line Company; the Southern Carbon Company; and the United Carbon Company.

Q. Is there also a company named Hope Producing Company?

A. Yes, Hope Producing Company.

Q. Are you familiar in general with the contracts under which those companies sell gas to Mississippi and to the Southern Natural Gas Company?

A. I am.

Q. Do you know whether or not the contract with Mississippi which Interstate has, sets forth in it the various proportions which these producers you have mentioned sell of the total demands for gas by Mississippi?

A. Yes.

Q. And is that also true of the contract which Interstate has with Southern Natural?

A. Yes.

Q. Now in your work both in dispatching duties and as superintendent of the field, have you become familiar with the properties of Interstate Natural Gas Company in the Monroe Field?

A. Yes.

Q. Does your jurisdiction extend to the supervision of the drilling of wells?

A. Yes; as production superintendent I have charge of the supervision of drilling of wells, not the actual drilling but of matters pertaining to setting casing and seeing that the job is done properly in accordance with the methods desired by Interstate.

Q. Well, does the company contract out the actual drilling of its wells?

A. They do.

Q. And are the relations of the contractor with the Interstate Company under your supervision?

A. Yes.

Q. Do such matters as the quantities of gas to be produced and what wells shall be put into the lines, and things of that sort, come under your charge?

A. They do, through the dispatching.

Q. And they are handled by the departments of which you are the head?

A. That is true.

Q. The two departments?

A. Yes.

Mr. Dougherty:

I will ask the reporter to mark these next four exhibits for identification as Exhibits 42 to 45, inclusive.

Trial Examiner:

They may be so marked.

(The documents referred to were marked for identification as Exhibits 42 to 45 inclusive.)

By Mr. Dougherty:

Q. There has been marked for identification as Exhibit No. 42 a statement entitled, "Description of Natural Gas Properties and the Production and Gathering Operations of the Company in the Monroe Gas Field, Morehouse, Union and Ouachita Parishes, La.". Did you participate in the preparation of that exhibit?

A. I did. This exhibit was prepared with the help of Mr. Cooper. Mr. Cooper prescribed the form and I put the facts into it.

Q. And have you read it over since it was prepared?

A. Yes.

Q. And have you familiarized yourself with the various statements that are in it?

A. Yes.

Q. Did you check the various factual statements and statistical data therein?

A. Well, there are one or two items in here pertaining to figures which I had given to me by the persons that knew from the records what they were. For instance, the figures as to acreage were obtained for me from the records of the Company.

Q. Obtained by whom?

A. Different ones under my supervision.

Q. And did they obtain this information that you are speaking of now, such as acreage, pursuant to a request which you made to get it for you for this purpose?

A. That is correct.

Q. Are the various statements and information contained in the written text of that exhibit true and correct according to the best of your knowledge and belief?

A. They are.

Q. Now there are certain photographs in there; did you have anything to do with having those taken?

A. Yes, I accompanied the photographer and designated the pictures to be taken and to be put in this exhibit.

Q. Do you recognize the various photographs as showing the buildings and other things which they purport to show and which are described on a little slip that is attached to the bottom of each photograph?

A. I do.

Q. In carrying out your general duties as chief dispatcher and field superintendent, are you required to occasionally or from time to time go to the Southern Natural and Mississippi compressor stations and their meter runs as shown on those various photographs?

A. Yes.

Q. And are you familiar with their layouts and the general character of the buildings, their contents, and so forth?

A. Yes.

Q. Are you also familiar with the compressor station and pipe layouts of the Memphis Natural Gas Company?

A. Yes.

Mr. Dougherty:

If the Examiner please, there are some references to exhibits in this Exhibit 42, which I think we might put in here now.

On page 1, under heading II, that first reference, that is to the acreage map, is to Exhibit 5 which was offered earlier, or at least identified earlier, and so that should be Exhibit 5.

The next paragraph, that is the last paragraph at the bottom of the page, referring to the field map, refers to Exhibit 6.

Then on page 2, at the top of page 2, it refers to an exhibit which I have not yet spoken of but which I have had identified as Exhibit 43.

The next blank on page 2 calls for the insertion of Exhibit 44, and the next blank calls for the insertion of Exhibit 45.

Those are the only ones where there are any blanks left for the filling in of exhibit references.

By Mr. Dougherty:

Q. Mr. Blanks, I hand you a document that has been marked as Exhibit No. 43 for identification, which is entitled, "Dispatching Diagram". Are you familiar with that diagram?

A. Yes.

Q. And did you have that prepared under your supervision?

A. Yes, by the Engineering Department.

Q. The Engineering Department of the Interstate Natural Gas Company?

Q. Yes.

Q. Do you use such a diagrammatic sketch in the actual work of dispatching gas?

A. Yes. That map serves, while not showing ownership of locations, just as a dispatching diagram showing schematically the location of the wells and field lines and the points of delivery in the field, and also the lines coming into Desiard from the gathering lines.

Q. Well, was this particular diagrammatic sketch or dispatching diagram as it is called, in existence and used by you prior to preparing it for use in this case?

A. Yes, it is used in the dispatching office to keep the dispatchers on duty fully aware of the connections throughout the field that are made from time to time, and the way the gas might be able to flow in the event of any change in the system.

Q. So that it was not made especially for this hearing, but copies were made of the map you actually use in your work?

A. That is correct.

Q. Are there shown on this dispatching diagram, that is Exhibit 43, any field lines which are not actually currently in use? What I have in mind is—are there any field lines that might be shown on the map which is the map of the field lines, Exhibit 6, which possibly are out of use and therefore would not be shown on this dispatching diagram?

A. No, there are none that are not in use. This shows the lines regardless of whether they are in use or not.

Q. I see. So that this dispatching diagram would show all of the existing lines of the Company, whether gas is actually moving through them from a particular well at the present time?

A. That is true.

Q. Now are there shown on this sketch delivery points where Interstate receives gas from certain producers in the field?

A. Yes.

Q. For example, at the lower right hand corner where the word Fairbanks appears, just above that is a square in which are the characters "So. Car." What does that mean?

A. That is one of the points at which Southern Carbon Company delivers gas to Interstate.

Q. Then just a little above that on this exhibit is the word Fowler, and to the left of the word Fowler is a square in which is the word "Desiard". What does that indicate?

A. That represents the location of our Desiard Compressing Station.

Q. Is that the only compressing station which Interstate has in the Monroe Field?

A. That is.

Q. And is that the station from which the 22 inch main line starts?

A. Correct.

Q. Then East, or to the right I should say, of this point marked Fowler, are some lines and then the words "Utd. Carb. Co." What do they indicate?

A. That is one of the points at which the United Carbon delivers gas to Interstate.

Q. Now in general, wherever there are two phrases, either that indicating Southern Carbon or that indicating United Carbon, do they mean that at such point or points there is a delivery from the designated company?

A. That is correct.

Q. How much gas does Interstate buy from Southern Carbon Company on the average per day at the present time?

A. 25,000,000 cubic feet.

Q. Per day?

A. Per day.

Q. And how much from United Carbon?

A. Ten million cubic feet per day.

Q. At the present time where are deliveries made to Interstate by each of those companies?

A. In the lower right-hand corner where you see described "So. Car—Fairbanks", Southern Carbon is delivering some of their gas.

Q. And into what field line does that gas go?

A. Into field line F-2. Then the Southern Carbon is also making deliveries at the northernmost end of line F-1. There is a point there called Perryville, at which Southern Carbon delivers part of this 25,000,000 feet per day. Then, where you see the United Carbon Company legend just east of Desiard, or Fowler, the United Carbon at present is making their entire deliveries at that point.

Q. Are there any deliveries being made by either Southern Carbon or United Carbon at the present time into F-1, between Desiard and Perryville?

A. Between Desiard and Perryville?

Q. Yes.

A. Not at the present time, no.

Q. And how long has it been since deliveries into F-1, for example, at the place marked Cargas, and then at the place marked Guthrie, or near Guthrie—that those companies made deliveries?

A. Well, the United Carbon Company has not made any deliveries there since February of this year. The Southern Carbon has not made any deliveries at Guthrie for a little over a year.

Q. Is Interstate buying a lesser quantity of gas from each of those two companies at the present time than formerly was purchased, that is prior to the last year, say?

A. Correct. There was a reduction in the amount that we are buying from those two companies made in February of this year, 1942.

Q. Now the gas that is delivered by United Carbon where it is so indicated, east of Fowler, into what field line of Interstate does that flow?

A. It flows into F-13. It comes into Desiard through F-13, is introduced into line F-45, and finds its way into line F-1, or it may go into the compressor station through line F-2.

Q. Now over on the right hand side of this Exhibit No. 43 is the word Perryville, and then there are some squares and lines indicating various pipe lines, and there are the words "Miss. R. Fuel", and also "So. Nat." What do those indicate?

A. The first represents the property of the Mississippi River Fuel Corporation, on which is located their compressor station and also the metering station through

which Interstate makes its deliveries, along with the other producers, to the Mississippi River Fuel.

The second is the property of the Southern Natural Gas Company on which site is located their compressor station. However, the point of delivery to them is over on the property of the Mississippi River Fuel Corporation. The metering station of the Mississippi River Fuel and the Southern Natural lie parallel to each other at that point.

Q. Now referring to these photographs in Exhibit 42, and particularly the one on page 25, is that a view of the compressor station of the Mississippi River Fuel Corporation at Perryville, concerning which you have just been talking?

A. Yes, that is a general view from the north.

Q. And the photographs that then appear at pages, 26, 27, 28, 29 and 30 all relate to buildings or installations of various sorts at that same compressor station?

A. Yes.

Q. Now, then, the photograph at page 31 which says, "Southern Natural Gas Company—General View", is that of the compressor station at this point at Perryville which you have just been talking about?

A. It is.

Q. And do those photographs that follow on the succeeding pages, those which are marked Southern Natural Gas Company, relate to the installations at this particular station?

A. They do.

Q. Now the photograph at page 35, and the ones on successive pages up through to page 37, that is, pages 35, 36 and 37, which are headed Memphis Natural Gas Company—where on this dispatching diagram, Exhibit 43, is located that particular station, photographs of which are included in this Exhibit No. 42?

A. That station is located at Guthrie, which is just about half way between the point designated Desiard and the point designated Perryville, and it is designated as Guthrie.

Q. And is that the square in which appears the word "Memphis"?

A. Correct.

Q. I am handing you a document which has been marked for identification as Exhibit No. 44, and which is entitled, "Desaird Station Layout Sketch". Was that prepared under your supervision and at your request by the Engineering Department of Interstate Natural Gas Company?

A. Yes.

Q. And without going into any great detail, briefly tell us just what that sketch shows?

A. This Desiard Compressor Station layout shows the piping within the plant yard. It shows the manner in which these lines from various sections of the field bring the gas that is gathered from our production area, and also from points where we purchase gas. These lines have been colored in several different colors, showing the flow of the gas through these lines, together with the approximate pressure at which they are now operating.

Q. That is, where you have in purple at the lower left-hand part of this diagram "135 to 150", does that mean that the line that is shown in purple carries gas at approximately those pressures?

A. That is correct.

Q. And so on with the other colors?

A. That is true.

Q. These sketches against which are shown the words, "Unit #1", "Unit #2", "Unit #3" and "Unit #4", which are drawn as though they were pipes, what are those installations?

A. That is the compressor station piping proper, including the suction lines.

Q. Are there any meter sections shown at that point around those units?

A. No.

Q. Do those unit numbers refer to the compressor units inside the compressor building?

A. They do.

Q. That is, the pumping equipment?

A. Yes.

Q. Are the meter settings shown on this diagram at all?

A. Only one. That happens to be the deliveries by the United Gas Pipe Line Company to Interstate for transportation.

Q. Now the flow arrows, or the arrows along these various lines, do they indicate the way that gas is currently moving through those lines into the Desiard Station piping in the yard?

A. That indicates the flow of the gas through that particular line and it designates the line into which it is at present flowing, and you will note that there are some that are double-arrowed which indicates that gas at times flows either way through those.

Q. Well, are there times when you do shift the direction of flow of gas through some of these lines to meet the particular operating requirements as they arise from time to time?

A. That is correct.

Q. I am handing you a document which has been marked for identification as Exhibit No. 45. Did you have that prepared under your direction?

A. I did. This was prepared in the engineering department also. This is a schematic diagram of the delivery points to the United Gas Pipe Line Company at the Memphis Station at Guthrie, Louisiana, and to the South-

ern Natural Gas Company and the Mississippi River Fuel Corporation at Perryville. These are from actual operating notes. This was prepared for notebook use by field men.

Q. Looking at that part on the right that is marked "So. Natural Sta." and "Miss. R. Fuel Sta.", "Perryville, La.", just above that are shown various lines with crosses on them. What do those crosses indicate?

A. They indicate gate valves.

Q. And then I see at one place in the line, two lines at right angles, against which is the letter "M". What does that indicate?

A. That indicates meter runs.

Q. And would those lines that are right underneath the words, "So. Natl. Suction" represent the location of the meter runs through which gas is delivered to the Southern Natural Gas?

A. Yes.

Q. I notice the word "Hope" against one or two of the lines; what does that indicate?

A. That indicates the meter runs of the Hope Producing Company through which they deliver gas to the Southern Natural at times.

Q. This line where it says, "So. Natl. 20"—", what does that indicate?

A. That indicates Southern Natural Gas Company's 20 inch main line leaving Perryville.

Q. Do you show on this diagrammatic sketch, Exhibit 45, any lines showing deliveries by other producers in the field outside of the Hope Company and Interstate Natural Gas Company?

A. Not on this exhibit, no.

Q. Well; now, through which of these field lines does the gas of Interstate Natural Gas Company flow for delivery to Southern Natural?

A. It flows out of line F-1 into line F-33A; then directly into the meter run through which it is delivered to the Southern Natural.

Q. Now also shown there is the compressor station of the Mississippi River Fuel Corporation. Through what lines does Interstate deliver gas to that company at that compressor station?

A. Exactly the same lines as it delivers through to Southern Natural.

Q. That is, from F-1 into F-33A, and then direct to the meter runs?

A. That is correct.

Q. So that the gas is being delivered to those two companies after it gets up to the point of intersection of F-1 and F-33A, moves exactly the same up to the point where it enters the meter runs of each respective company?

A. Correct.

Q. Now with respect to the Memphis Natural Gas Company which is shown on the left side of this diagram, through what field lines does Interstate deliver gas to the United Gas Pipe Line Company for this Memphis Natural station?

A. The gas comes out of F-44 just south of Guthrie; it enters into line F-43, an eight inch line; it then in turn goes to the meter setting designated on this map by "M", at which point it is delivered to the United Gas Pipe Line Company for the account of Memphis Natural Gas Company.

Q. Now I notice on the same side of the exhibit up at the top are the letters "U. C. Co. 6"—". What does that indicate?

A. That indicates the line through which the United Carbon Company delivers gas to the United Gas Pipe Line Company for the account of the Memphis Natural Gas Company.

Q. And just under that is a line upon which are imposed the letters, "S. C. Co. 8"—". What is that?

A. That indicates the line and meter setting of the Southern Carbon Company through which they make deliveries to the United Gas Pipe Line Company for the account of the Memphis Natural Gas Company.

Q. Mr. Blanks, I am showing you a map which has been marked Exhibit 5, and which is headed "Acreage Map". Are you familiar with that map, which purports to show the acreage of the Monroe Field?

A. I am. This map was prepared at my request by the Engineering Department and I assisted in the development of the map.

Q. Do you keep in your office information with respect to the acreage of these other companies which are shown in the legend at the lower right-hand corner?

A. Not in color as it is shown on here. We do have acreage maps, however, but not this particular map which was prepared—

Q. (Interposing): What I mean is do you have the information from which this map was prepared, in your office?

A. Part of it.

Q. And where else did you get the information for the preparation of this particular map, Exhibit 5?

A. Off of maps which were borrowed from the other producers whose properties are shown on this map.

A. Are you familiar in general with the acreage of these other companies as it is shown on this map, and which is located in the Monroe Field?

A. Yes, generally speaking I am.

Q. I notice the symbol of a little circle with lines out from it on here; what does that indicate?

A. That indicates a well that has been drilled.

Q. And those are shown, I observe, over the entire group of acreage, that is irrespective of the company

which owns the well, there are wells shown all over the map. Where did you get the information for that?

A. This was a map that was loaned to us by one of the companies in the field and it is practically up to date as far as all the wells are concerned. I couldn't say that it is absolutely perfect as far as each individual well is concerned, but it is pretty well up to date. There might be a few that are not shown on this map. If so they have been drilled recently.

Q. Now is the acreage of these other companies, for example that which is shown I believe in blue, does that lie at various points interspersed among the acreage of Interstate?

A. It does.

Q. And the Southern Carbon acreage is shown in what color?

A. Yellow.

Q. Does that lie adjacent to acreage of the Interstate Natural?

A. It does.

Q. Is there more than one producing sand in the Monroe Field from which all the wells in that field produce?

A. Well, there is one sand from which the majority of the wells in the field produce. There is a second sand, as they call it, in the field, which has a very few wells producing. Generally speaking, the entire field is one sand.

Q. Is that sand interconnected throughout the field?

A. Yes.

Q. Do you have elements of drainage in this Monroe Field, that is from high pressure to low pressure areas?

Mr. March:

I object to that question unless the witness can qualify as a geologist and testify upon the geological angles of the field. As a condition precedent to his asking that

question it should be necessary to qualify this witness as an expert in geology. I object to the question.

Trial Examiner:
I don't think the witnes has been qualified as a geologist.

Mr. Dougherty:
That is right, he hasn't. He is just a practical gas man, that is all, who runs the field.

Trial Examiner:
Objection sustained.

Mr. Dougherty:
I don't care about pressing it but I think it is a matter that doesn't reqiure an expert geologist to answer. That might go to the weight of it, and the basis of it, but a practical gas man can talk about drainage and know about drainage just as much, and sometimes better, than a lot of graduate geologists.

Mr. March:
Well, it is certainly elementary that a man, to testify in regard to drainage, would have to be trained in petroleum engineering or geology, and it doesn't seem that that would add anything to this record; it would merely confuse the record and the company has adequate geologist to testify, we have a geologist here to testify, and it seems that that question would only confuse the record and would bring in here through a witness that is not qualified to testify in regard to these matters, matters which will be of a very controversial nature and will confuse the record; and if it please the Examiner, we object.

Mr. Dougherty:

I am not insisting on it at all, although I disagree wholly with everything that Mr. March has said. But, as I say, I am not insisting on it.

By Mr. Dougherty:

Q. Are you familiar at all, Mr. Blanks, with the field line systems of these other companies and the areas from which they bring gas both in delivering it to Interstate and also in delivering it to Southern Natural and to the Mississippi River Fuel Corporation?

A. Yes, generally speaking I am.

Q. Can you make reference to that on the map that shows the field lines of Interstate better than on this map, or on this just as well?

A. I suppose I could make it on this one just as well as the other. If you are going to take each company, this Exhibit 5 shows all five of them.

Q. Now the deliveries which you have testified are made by Southern Carbon Company to Interstate, from what general area of their acreage do they come, and in making reference if you can refer on Exhibit 5 to the township and the section number, so that we can get it fairly accurate, that would be helpful.

A. To the Mississippi and Southern Natural?

Q. First the deliveries which Southern Carbon makes to Interstate?

A. The deliveries to Interstate by Southern Carbon that are made at Fairbanks meter station generally come from Range 4 East, Sections 13 and 23, and in Range 5 East, Township 19, Sections 19, 17, 7 and 9. I think that generally covers it.

Q. Now is that the area that is shown in yellow which is to the East and Southeast of the names Fowler and Fairbanks?

A. Yes.

Trial Examiner:

What was the township in Range 4? You didn't give us that?

The Witness:

Township 19 North.

Mr. Dougherty:

It is the same township for both Ranges.

By Mr. Dougherty:

Q. From what area does Southern Carbon deliver gas to Interstate which they deliver into the end of line F-1 at Perryville?

A. Most of that gas comes from over in Union Parish from Township 21 North in Range 4 East, and also Township 22 North, Range 4 East. They might have some other gas entering their line in between there and Perryville, since they have this high pressure line which feeds us at Perryville and originates up in that general location.

Q. The area which you have just referred to, that is Township 22 North and Township 21 North, in Range 4 East—does that lie adjacent to acreage of Interstate Natural Gas Company?

A. It does.

Q. Now from what part of the field does the Southern Carbon Company make its deliveries of gas to Missisippi River Fuel Corporation and Southern Natural?

A. Could I have that question repeated?

(The reporter read the pending question.)

The Witness:

They gather gas from East and West of the Ouachita Parish in Township—

By Mr. Dougherty:

Q. (Interposing.) Ouachita River, you mean?

A. Yes—in Townships 20 North and 21 North, Range 4 East; also from Range 5 East, in around Dewdrop and Macarco; and there is some gas intermingled in their sytem from this other acreage down in Townships 20 North and 19 North, Range 4 and 5, East. It is a commingled system that they have.

Q. Now these areas which you have described, are those the sources of gas for deliveries by Southern Carbon Company to both the Mississippi Company and the Southern Natural?

A. Yes.

Q. Now from what areas does United Carbon Company deliver gas to the Mississippi River Fuel Corporation and the Southern Natural Gas Corporation?

A. Well, they have throughout their system one general system, pipeline system, through which the Mississippi and Southern Natural gas is delivered from Union Parish, Ouachita Parish and Morehouse Parish, their general acreage.

Q. Is their acreage fairly well drilled up through this field?

A. Pretty well drilled.

Q. And do they take from all of these various areas, gas for delivery to these two companies as you have just defined, to the Southern Natural and the Mississippi River Fuel Corporation?

A. No, they make other deliveries to the Memphis Natural Gas Company and to the Interstate Natural Gas Company.

Q. Well, what I meant was—do they have any special portion of the field from which they make deliveries to a particular pipeline, or do they use their whole field system and all of their wells to make deliveries to all of their customers in the Monroe Field?

A. Well, generally speaking most of their gas, as I understand it, comes out of Union Parish. They also purchase some gas. Now on this map the properties of all the companies are not designated. These are the properties designated in color, of the five producers which make deliveries to these particular companies.

Q. That is both United Carbon and Southern Carbon buy from individual producers in the field, of small ownership?

A. That is correct.

Q. Now with respect to Hope Producing Company, which is shown in what color—

A. Pink.

Q. From what areas does that company deliver gas to the Southern Natural Gas Corporation and Mississippi River Fuel Corporation?

A. Well, you will notice up in Township 20 North, Range 4 East, in Sections 36 and 25, they have a small acreage in there from which they produce gas and deliver direct into Perryville to the Mississippi River Fuel Corporation, or if need be, to the Southern Natural Gas Company. Also over in Section 26, Township 20 North, Range 3 East, they have a 40 acre tract on which there is one well. This gas is sold to Interstate and delivered into their gathering line at that point. In the lower right-hand corner of Township 20 North, Range 3 East, they have acreage with wells on it; also in the lower lefthand corner of Township 20 North, Range 4 East; also in Township 19 North Range 4 East, in Sections 42, 43, 7 and 45, they have acreage.

Q. From these wells that you refer to in Township 20 North, Range 4 East, does that gas all go to Perryville?

A. It does.

Q. And is that delivered either to Southern Natural or to Mississippi, as the case may be?

A. Yes; at the present time it is being delivered to the Mississippi River Fuel.

Q. Now in handling the dispatching of the gas that moves to the Mississippi River Fuel Corporation and the Southern Natural Gas Corporation, do you have to keep in contact with the producing superintendent of the United Carbon Company and of Southern Carbon Company?

A. Yes.

Q. Suppose you tell us just how you handle that joint dispatching arrangement for gas which is delivered to those companies by these five producers whose names have been previously mentioned, and whose names are shown on the bottom of this map, Exhibit 5?

A. Each pipeline company notifies the Interstate dispatcher on duty of the quantities of gas that they would have delivered to their companies by the group of producers consisting of the five producers. The Interstate dispatcher in turn, knowing all the contract percentages on which the quota to each producer is to be allocated, computes the amount based on the quantities requisitioned by the pipeline companies. After computing these quantities the dispatcher notifies a representative of each one of these companies of the proposed change in deliveries that is to be made. The representative of each producer, after having been notified, informs the Interstate dispatcher at that time, or maybe later, as to whether they are in a position to make the change, increase the deliveries or decrease them as the case may be. When each producer has signified his readiness to make his percentage deliveries of this gas, the Interstate dispatcher in turn notifies the dispatcher of the Mississippi River Fuel Corporation of the amounts to be delivered by each producer and tells him at what time to regulate the valves and see that the deliveries are made.

Q. In Exhibit 42, the photograph at page 26 shows Mississippi and Southern Natural meter settings. Will you point to which is the Mississippi and which is the Southern Natural, that is which meter setting is on the right?

A. On the right is the meter setting of the Southern Natural Gas Company. On the left is the meter setting of the Mississippi River Fuel Corporation.

Q. Now referring to the one of Southern Natural on the right, are we looking at the side of the meter house after which delivery is made to Southern Natural, or before it is made?

A. On the side after it has been made.

Q. And is that also true with respect to Mississippi?

A. No, it is on the side on which the Mississippi deliveries are made.

Q. With respect to the picture on page 27, which is headed, "Mississippi River Fuel Corporation—Purchase Meter Setting", does that view which shows at the right a number of small valves with little box-like affairs up above them—is that on the side before or after deliveries of gas are made to Mississippi?

A. Before gas deliveries are made to Mississippi.

Q. And where does the measurement take place?

A. The measurement takes place from orifice flanges and meters that are on the inside of the building shown in the picture, for check purposes by Interstate. The gas then passes through another set of orifice flanges on the downstream side of the meter setting, which are shown to the left of the house; and the gas at this point is measured by the Mississippi Fuel Corporation, the Mississippi River Fuel Corporation. This point of delivery is the point of measurement on which the billing of gas is made.

Q. Does each one of these valves, or one or more of those valves, represent a place on the delivery system from a particular producer? That is, can you point out,

for example, which of those meter runs there, or which of those delivery points, are the ones through which gas is delivered by the various producers in the field to Mississippi?

A. I don't believe I can show from this picture all of them, but the first two valves are on meter runs belonging to the Interstate, through which their gas is measured to Mississippi River Fuel Corporation.

The second two valves are the meter runs through which the Hope Producing Company delivers gas to Southern Natural.

The balance of those lines and valves shown in there are the deliveries made through the runs of Southern Carbon, United Carbon and United Gas Pipe Line Company.

Q. Now are those meter runs to which you have referred all there at one location, side by side?

A. They are.

Q. After the gas then passes through that, and it passes through the meters which are maintained for the purpose of measuring the gas delivered, what happens?

A. After the gas has passed through these meter runs, the gas enters headers at the downstream side of the meter run through which the gas passes on in through scrubbers, a set of scrubbers being shown in the background on this picture, into their suction lines, into the compressor station, and after having been compressed either by low stage or high stage compressors, it is discharged out through this cooling system through dehydrators and on into their main line, going into St. Louis.

Q. After it passes through the meter runs, you say, it goes into a header; is the gas commingled at that point?

A. Yes; at times the gas is commingled with the gas deliveries by other producers.

Q. Well, what I have in mind is—is there any separation of the gas delivered by each producer maintained up to the point where it is compressed?

A. Any separation?

Q. Yes.

A. Yes, there is at times a separation, dependent on the pressures at which the gas is being delivered in order to utilize their horsepower to the best advantage.

Q. That is, if some low pressure gas is being delivered which would have to be compressed twice, that might be kept separate from a higher pressure gas?

A. That is correct.

Q. Is there any difference in the method of delivery at this point by the different producers?

A. None whatsoever.

Q. Now with respect to Southern Natural, the picture at page 32 shows the meter settings. Can you point out which of those settings are the ones through which Interstate delivers gas and the other producers also deliver gas?

A. The first two valves are shown on meter runs belonging to Interstate, through which deliveries are made; and also the second two valves are on runs of the Hope Producing Company. There is a cross-over between just ahead of these two sets of runs, in order that when the load is at peak condition, and providing that the Hope Producing Company does not have sufficient gas to make any deliveries through those runs, we utilize those runs to make some deliveres of Interstate.

Then the third set belong to the United Carbon Company through which they make their deliveries. The next six sets belong to the United Gas Pipe Line Company; and the last two are on the meter runs of the Southern Carbon, through which they make deliveries.

Q. Those small boxes that are up on standards right near the valves, what is in them?

A. Temperature recording gauges, recording the temperature of the gas flowing through those lines.

Q. Is there any difference in the method by which delivery is made there by the various producers to Southern Natural?

A. None whatsoever. I would like to state here that in the deliveries of the other producers to the Mississippi River Fuel, as far as the deliveries of the gas itself are concerned, there isn't any difference except that to the Mississippi River Fuel Corporation all of the gas is not delivered from the Monroe Field. Part of their gas comes from the Rhodessa Field, the Rhodessa line.

Q. You are speaking now only of United Gas Pipe Line Company?

A. That is right.

Q. But with respect to Southern Carbon and United Carbon and Hope Producing Company, your answer is the same?

A. That is correct, the actual delivery of the gas is the same regardless of source.

Mr. Dougherty:

That is all the direct examination I have, if the Examiner please, and I would like to offer in evidence Exhibits 42, 43, 44 and 45.

Trial Examiner:

Have these exhibits been previously served upon counsel for the other parties?

Mr. Dougherty:

I sent one of these to Mr. Lange last week, about Thursday. I don't know just when he got it. It was sent to him here at New Orleans.

Mr. Lange:

It came in Saturday.

Mr. March:

If it please the Examiner, we would like to defer the admission of these exhibits until after cross examination. After these matters have all been offered with regard to the field, we will take up these witnesses and cross examine them in order.

Trial Examiner:

You are not prepared to cross examine the witness at this time?

Mr. March:

I can, if you would rather I do, but I would rather take them in order and let all this matter as to the field be offered first, so that we can see the entire picture. I think it would be better if that were done. However, we can start the cross examination of this witness here now if you desire.

Trial Examiner:

I think it well to follow the usual procedure with respect to cross examination unless there is some advantage in doing it otherwise. If there is, of course the other method would be employed. As I understand it, you have reserved cross examination of the first witness, Mr. Lerch, but I didn't understand that there was to be any cross examination with respect to these different schedules that were filed, but that it was merely a matter of checking the schedules.

Mr. March:

We will want to cross examine Mr. Lerch considerably on his offer, and we will want to cross examine these other witnesses. We thought we would let them go over everything, offer everything in regard to the field, and then take these things and look at the whole picture, and

then take the witnesses up and cross examine them in order. But if you want this man cross examined now we can go right ahead with the matter. I don't know whether they have made their complete offer in regard to field yet or not.

Trial Examiner:

Well, suppose we go on then with the next witness, and cross examination will be reserved with respect to the testimony of Mr. Blanks.

Mr. Dougherty:

There was no other testimony on the field except as it might come in rebuttal and as brought forth by Mr. March's very thorough and searching and exhaustive cross examination which he is threatening us with.

However, Mr. Rhodes can read his statement on deterioration. I don't know as I have it down here, but if we could have a recess then we could do that on direct and they could then continue on cross examination tomorrow.

Trial Examiner:

We will take a recess of five minutes.

(Whereupon a short recess was taken, after which the hearing was resumed.)

Mr. Dougherty:

I will call Mr. Rhodes.

Whereupon, GEORGE I. RHODES, called as a witness on behalf of the Respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Dougherty:

Q. Will you state your name and residence?

A. George I. Rhodes. I live in Glen Ridge, New Jersey, in the County of Essex.

Q. What is your profession, Mr. Rhodes?

A. I am an engineer and I am vice-president and a director of Ford, Bacon & Davis, Inc., and also of Ford, Bacon & Davis Construction Corporation.

Q. Is that the same firm that had charge of constructing the Interstate Natural Gas pipeline, and with whom a contract was made, which contract was introduced as Exhibit 4 in this case?

A. The first named firm was the one.

Q. That is Ford, Bacon & Davis, Inc.?

A. That is right.

Q. How long has Ford, Bacon & Davis, Inc. been in business, Mr. Rhodes?

A. Forty-eight years.

Q. And in general what is the character of the business it conducts?

A. Well, in general the business comprises the design, supervision of construction, the construction itself, and the operation of industrial properties, natural gas properties and other public utility properties. It is now engaged in a large volume of war work involving all of these functions. The firm is also engaged in valuation work and the preparation of reports relating to cost estimates for proposed construction, for proposed corporate mergers, and for the sale and purchase of properties and of reports relating to other general engineering and corp rate matters.

Q. What particular type of work do you do yourself with Ford, Bacon & Davis, Inc.?

A. My work with Ford, Bacon & Davis has largely been concerned with engineering and construction work, until recent years when I have devoted some time to proceedings such as this.

Q. Well, will you give us briefly your own educational experience and general qualifications, and particularly what your experience has been in the natural gas industry?

A. Well, I graduated from the Massachusetts Institute of Technology in 1905, working summers on engineering matters during the period of my education, and I remained at the Institute for several months as an instructor.

From 1906 to 1911 I was in the Motive Power Department of the Interborough Rapid Transit Company in New York, and at the time of leaving their employment I was electrical engineer of that department.

From 1911 to 1917 I was connected with the Boston office of White, Weld & Company, investment bankers, as a consulting engineer, doing various types of work that a banker requires in his organization, and in addition, having charge of construction and supervision of operations of certain utility properties controlled or operated by one of the partners.

In 1917 I joined the forces of Ford, Bacon & Davis and have been continuously in the employ of that corporation since, having been made an officer and director in the mid-20's.

During the past twenty years my firm has done a great deal of natural gas work, all of which has been carried out under the joint responsibility of a fellow vice president, Mr. E. G. Hill, and of myself. We were both connected with all of the projects in some degree, my connection being at least that of chief engineer of

Ford, Bacon & Davis finally responsible for engineering designs.

Among the properties away from this vicinity that we developed in this way was a complete production, transmission and distribution system for natural gas in Edmonton, Alberta. My connection with that job was purely as chief engineer for Ford, Bacon & Davis.

The Amarillo to Denver pipeline sytem was also built by us, and my connection with that was in preliminary reconnaisance and a check of the market.

We were also connected with the pipeline from the Amarillo gas field to Chicago. Personally I had charge of preliminary work in reconnaisance, designs and cost estimates for one group of partners who owned the line. We built two sections of the line, the Kansas section being under my immediate direction and the Illinois section being under Mr. Hill's immediate direction. Between them they aggregated about 300 miles.

We also extended the system of the El Paso Natural Gas Company west from El Paso to Douglas, Arizona, and to Mexico, and reenforced the capacity of their former system. All of that work was carried out under my immediate direction, in fact I participated in the original promotion of the project. We also were connected with the Tulsa to St. Louis oil pipeline known as the Ajax line, in which we made the location, purchased the right-of-way and the pumping equipment, and generally designed the system, but did not participate in its construction.

We were also connected with the building of the pipeline from Amarillo to East St. Louis, a gasoline pipeline, in which we were connected with the design of the pumping stations, the location of the lines and the inspection of construction work.

We also built an oil line, as constructors, from the East Texas oil field to Shreveport.

We built a liquid propane line from Charleston, West Virginia, to the Kentucky State line; a gasoline pipeline from Toledo to Detroit; and one from Philadelphia to Reading, Pennsylvania.

We also were connected with the construction of the recently built Plantation System from Baton Rouge to Atlanta and to Greensboro, in which we made general layouts, locations, purchased the rights-of-way, and generally supervised the construction work.

Now that generally summarizes the scattered work we have done around the country.

Now in connection with the Monroe gas field development, the first work we did was to study the Monroe gas field in 1923, which I myself did, which resulted in the construction of the Sterlington Power Station, which is a 100,000 kilowatt station, and formed the initial knowledge, or provided the initial knowledge of the Monroe gas field had in our office, as a result of which the Interstate line was conceived.

I will leave our work on the Interstate line until the last and list the other lines we built first. We built a line from Monroe to Eldorado, Arkansas; we also constructed the Monroe to Memphis, and Jackson, Tennessee, pipeline system, in that case furnishing labor and material installed on a unit price basis.

We also, as contractors, laid the Monroe to St. Louis pipeline.

Then as engineers we have been actively connected with the development and construction of the Southern Natural Gas System from Monroe to Atlanta, which started with preliminary reconnaisance and has continued to date, including design and supervision of a great deal of the system which includes the loop lines installed recently, compressor station extensions and the recent extensions to the Logansport field in Western Louisiana and Eastern Texas.

Q. That is an extension of their pipeline system for the purpose of acquiring new supplies of gas in Western Louisiana and Eastern Texas to supplement that which they have been buying from the Monroe Field?

A. That is correct.

We also promoted, developed, operated and finally liquidated, a joint compressor station facility in the Richland gas field.

That so far covers the lines connected with the Monroe gas field which we built from the beginning, except Interstate's system.

Now the line from the Monroe gas field to Baton Rouge, owned by Interstate Natural Gas Company, and from Baton Rouge to New Orleans, owned by Southern Gas & Fuel as it was known at the time of the construction, was built by us, and I think the record of this case gives rather a complete record of what my firm itself did in connection with the work, namely, the original conception of the project, the acquisition of the reserves; the negotiation of contracts, the design and construction of the system, and its operation for several years.

Now that applies not only to Interstate's system but to the Southern Gas & Fuel system.

Now my own participation in Interstate's development consisted in checking the general designs of the original project as first built, the designing of all compressor stations, both the initial stations and the extensions later built; the layout, design and supervision of construction of all the loops except those that have been built since we terminated our management in 1935.

During the period of operation I was the officer and director of my firm to whom was assigned the general responsibility for keeping in touch with the operation of the property, in which capacity I participated actively in the preparation of important contracts, and I

also worked out, with the help of the operating staff, a solution of the corrosion problem which became quite severe a few years after the system was built.

Now these natural gas and other pipeline properties which were so constructed and developed by our firm cost more than $150,000,000, and we operated for a number of years a portion of those properties the aggregate cost of which was more than $60,000,000.

Q. Mr. Rhodes, you mentioned the question of corrosion on Interstate Natural Gas Company's line, and certain work which you did. Will you give us the experience you had with that subject and what experiments were made and what remedies were utilized in what I understand is called cathodic protection?

A. Well, about four years after Interstate's main line was constructed, it became apparent that there was a really serious corrosion problem. The line had been coated with hot bituminous enamel coating and we had thought that we had been rather successful in the protection of the line, but quite suddenly in 1929 or 1930 we began to find that there was serious corrosion. In fact a stretch of about 3000 feet of line developed leaks to such an extent that we had to lift it from the ground and recondition it, and instead of putting it back in the ground we put it on a trestle. That is located about six miles south of the Tensas River, or about 78 miles south of the Desiard Station.

As a result of that experience the operating staff made a careful study of the line and found serious corrosion in rather widespread locations, which resulted in considerable concern on the part of the management of the property as to the problem that we had ahead of us.

As a result of that the worst section of the whole system, namely five miles south of the Tensas River, was looped, and that five mile section was set aside for a large-sized experimental laboratory in the prevention

of further corrosion. Many tests were made, and a preliminary installation of cathodic protection was made as a result of those tests, which gave very favorable results; in fact it clearly demonstrated that we could substantially eliminate any further progress of corrosion. As a result of that experience, and also of some research work which was carried on in my office, we laid out the system of cathodic protection as now installed, and working with the operating forces, supervised its installation. More than 80 miles of pipe on this system are now protected with cathodic protection.

Q. In connection with doing that work, was it necessary for you to make a study of corrosion, what causes it, and its phenomena that are evidenced by it?

A. Yes. In connection with our study of this five mile test section we made an active study of the causes and the prevention of corrosion, and since that time that study has progressed in other sections of the country, so that in quite a number of states extending from the Gulf to Canada, and including Canada, and from the Appalachian Mountains to the Rocky Mountains, we have studied corrosion and have installed cathodic protection sytems to prevent its further development. This work has covered all sizes of pipe from the smallest pipe to 24 inch pipe without any coating on it.

Q. Have you participated with the Bureau of Standards in any activity with respect to corrosion?

A. Yes, we have. Our cooperation with the Bureau of Standards started some years ago at about the time we were studying cathodic protection for Interstate. We began participating in corrosion conferences that Mr. Logan, head of the Soil Conservation Division of the Bureau of Standards arranged for about every two years. We participated in those by submitting papers descriptive of the work we were doing, and in addition to that we, or I personally, worked with Mr. Logan in connec-

tion with the scope and methods to be used in his own research work in corrosion, and in the mathematical considerations that would assist in analyzing corrosion.

Q. When you speak of cathodic protection what is that, if you can tell it briefly?

A. Well, I have described cathodic protection of pipe lines as the electric drainage of pipelines. Most underground corrosion is associated with circulating currents in the ground that are caused by galvanic action or the differences in the character of the soil and the character of the surface of the pipe. Now wherever that electric current leaves the pipe to flow into the ground, it eats the iron and causes corrosion which, if not checked, finally eats its way through the pipe, causing a leak.

Now by the application of electric circuits, which is not simple if your pipeline is bare or the coating is old, we arrange whereby electric current always flows from the soil into the pipe, and by eliminating the outflow of the current we prevent the further corrosion of the pipe, or substantially prevent it.

Q. Well, what is the importance or the significance of corrosion with respect to pipe?

A. Corrosion of pipe is the principal cause of its retirement and renewal, in fact it is the preponderant cause. If corrosion is severe, as in certain parts of Interstate's system, renewals of pipe or reconditioning of pipe would be expected at relatively short intervals. For instance, it only took three or four years to force the lifting of the half mile of line which I first described. But by applying cathodic protection to those badly corroded sections, we can make the pipe last for a long period of years in spite of the bad soil conditions.

Q. Is there any direct relationship between corrosion and the effects of corrosion, and the condition in which pipe is at any particular time?

A. Well, as the result of the studies of this property here and of thousands of miles of pipeline systems all

over the country, and of the work with the Bureau of Standards, we have now found a way whereby we can examine pipes and determine the proportionate extent to which corrosion has progressed, and we are able to measure that corrosion with satisfactory accuracy

Q. Mr. Rhodes, have you and your firm had experience in determining the condition of pipe in natural gas systems, and also of other properties, that is such as compressor station equipment, general property, field systems, and so forth?

A. Yes. For many years we have been doing that work and particularly in the last seven years I myself have been devoting close attention to it. It has covered a considerable part of the country, or at least that part which is served by natural gas.

Q. With respect to a natural gas system such as that of the Interstate Natural Gas Company, is the pipe by far the greater part of the capital investment in fixed assets?

A. Yes, indeed, the pipeline system is really by far the major part of the company's investment.

Q. Well now, did you at our request make, and have made by your assistants a study and examination of the pipeline system of Interstate, and also the other property of Interstate, for the purpose of determining to what extent deterioration in its condition had taken place as of the time of your examination?

A. I did.

Q. Did you write a report to Mr. Lerch, the President of the company, outlining your findings?

A. I did.

Q. Before we go to that, can you just give us briefly who it was that assisted you, and in general your approach to make the inspection, without in any way duplicating what is set forth in your written statement?

A. The inspection of the pipeline system was a joint inspection between representatives of the Commission and of Ford, Bacon & Davis—

Q. (Interposing.) When you say "Commission" you refer to the Federal Power Commission?

A. I do. And the arrangements and the direction in detail of carrying that out were by Mr. William T. Smith on the part of Ford, Bacon & Davis, and Mr. Paul White, on the part of the Federal Power Commission The inspection of the other property, however, was not a joint inspection but was made solely by our own representatives.

Q. Well, did Mr. Smith and the other representatives who made this inspection do so pursuant to your instructions?

A. Yes, this work was carried out in accordance with instructions which I gave to Mr. Smith, and which I saw to it were carried out, by a visit to the field.

Q. Did they make detailed reports on the observations which they made and the results which they found?

A. They did.

Q. Have you recently gone over the property above ground of Interstate, just before this hearing, that is the compressor station equipment principally, and the buildings?

A. Yes. Before finally submitting my report to Mr. Lerch I personally made an inspection of the compressor station properties, both buildings and equipment, for the purpose of spot-checking the work of my men.

Mr. Dougherty:

I will ask the reporter to mark these two documents as Exhibits 46 and 47, respectively, for identification.

Trial Examiner:

They may be so marked.

(The documents referred to were marked for identification as Exhibits 46 and 47 respectively.)

By Mr. Dougherty:

Q. Mr. Rhodes, this document which has been marked for identification as Exhibit 46 appears to be a copy of a letter on the letterhead of Ford, Bacon & Davis, Inc., and is addressed to Mr. Frank H. Lerch, President, Interstate Natural Gas Company, and bears your facsimile signature, and is dated June 10, 1942. Is that the report which you made to Mr. Lerch with respect to the inspection and condition of this property?

A. It is.

Q. I am handing you also a document which has been marked for identification as Exhibit No. 47, and which is entitled "Memorandum—Interstate Natural Gas Company—Explanation of Methods Used in Determining Progress of Corrosion of Pipe Lines Towards Complete Deterioration". This is dated June 10, 1942. Did you prepare that memorandum?

A. I did.

Q. And to what part of your inspection and examination of the property does that memorandum, namely Exhibit 47, specifically relate?

A. It relates to the pipelines, both transmission and field.

Q. That is, to that portion of your letter report, Exhibit 46, which is the second item commencing on page 2, which is headed, "Pipe Lines and Appurtenant Equipment"?

A. That is right.

Q. And do you in that memorandum in detail describe the methods utilized in measuring and interpreting the results which were found in this inspection?

A. I do.

Mr. Dougherty:

I desire at this time, if the Examiner please, to offer in evidence Exhibits 46 and 47.

That is all the direct examination I have of Mr. Rhodes.

Mr. March:

We ask that the admission of these exhibits be held up pending the cross examination of the witness. We would like to have the working papers of Mr. Rhodes and examine those working papers as soon as possible. This exhibit is a little different from the others which have been presented here this afternoon.

Mr. Dougherty:

If I might make the suggestion or request, I think it would be convenient to Mr. Rhodes if his cross examination could go forward ahead of the cross examination of the other witnesses. He wishes to get away to work on which he is engaged and his working papers are available immediately to Mr. March and his associates as soon as we adjourn today. I don't know whether this evening will give him sufficient time to get prepared, but if that would be possible it would be a great convenience to us to get rid of him first.

Mr. March:

We will be glad to accommodate you in that regard, Mr. Dougherty. We will do the best we can, Mr. Examiner.

Trial Examiner:

Ruling will be reserved on Exhibits 46 and 47.

Mr. Dougherty:

I think that, to the best of my recollection and belief, is all of the specific evidence that we have except such

as will follow the accounting and engineering exhibits of the Commission in the manner which I outlined this morning.

Mr. March:

Mr. Examiner, in view of the fact that we must get rid of Mr. Rhodes first here, I would suggest, Commission counsel would suggest, that we recess until morning in order to give us an opportunity to look at Mr. Rhodes' working papers immediately. I had intended to take up the cross examination of Mr. Lerch first and then follow in order.

Trial Examiner:

Do you have any idea how long it will take to complete Mr. Lerch's cross examination?

Mr. March:

It may take a half a day. Now if Mr. Rhodes wants to get out of town tomorrow and we have to cross examine him immediately on this, we have got to look at his working papers, that is the only thing about that. It is now 4:25 and that would give us an hour extra here to examine his working papers this evening. However, if the Examiner so desires, we will proceed with the cross examination of the dispatcher.

Trial Examiner:

I think that would be a good idea if you are prepared to cross examine one of these other witnesses now.

Mr. March:

We will proceed as far as we can with Mr. Blanks. I haven't had an opportunity to examine fully his exhibits here as yet, but I think the cross examination will be of a general nature. We may want to call him back, however.

Whereupon, EDEL F. BLANKS, recalled as a witness, having been previously sworn, resumed the stand and testified further as follows:

Cross Examination.

By Mr. March

Q. With reference to this Exhibit No. 42 of yours here, you stated that Mr. Cooper helped you write this exhibit?

A. That is true.

Q. Which parts did he write and which parts did you write?

A. We composed that exhibit together. As I stated in my testimony, he did the writing and I furnished the facts. The general outline of it was composed by Mr. Cooper.

Q. Where is his outline, is it available?

A. There it is right there, that is just the general text of the thing.

Q. Now in the outline that he gave you, did he instruct you to write, in this statement here, all of these references to gathering lines? I think gathering lines and gathering systems is used 25 or 30 times all through this. Who suggested that?

A. No one, I put it in there myself.

Q. Is Mr. Cooper an attorney or an engineer?

A. He is an attorney and engineer, I understand.

Q. There is a great deal of matter contained in this exhibit in regard to the early history of the Company; were you familiar firsthand with the acquisition of these leases and the initial operations of this Company?

A. I was not familiar at firsthand with the acquisition of them at the time. Since that time I have had access to the records and know that the acquisition was made.

Q. In other words, your statements here in regard to that are merely a compilation of facts from certain records that you have examined?

A. That is it, exactly.

Mr. March:

I would like to request here the original instructions of Mr. Cooper in regard to this exhibit. I would like to do it because I believe it is important to show here in the record as near as possible just what portion of this exhibit Mr. Cooper is responsible for, and if he is responsible for part of it then he should be presented here as a witness and tendered for cross examination.

The Witness:

Well, the thing was written 3 or 4 times before I finally got it into the form that I wanted it, and all of the facts; after rewriting it I would find that there were corrections to be made, and that is the final draft.

By Mr. March:

Q. Did Mr. Cooper make the original draft of this?

A: Yes.

Q. He did?

A. That is right.

Q. It was Mr. Cooper, then, that put all these references in about gathering lines and gathering facilities all through this exhibit?

A. No, not necessarily; between us.

Q. What did he have to do with labeling all these lines in the field, gathering lines and gathering systems and the use of that term approximately 25 or 30 times in this exhibit?

A. That is a term that we have always used in referring to those lines.

Q. Well, have you used that in referring to every line in the field as a gathering line?

A. Yes.

Q. You have always done that?

A. Yes.

Q. Has Mr. Lerch always done that, as President of the Company?

A. Yes, or field lines. It is called a field line or gathering line.

Q. By the way, what is a gathering line?

A. It is a line that is projected into a section of the field to gather gas from numerous sources of supply.

Q. Is it a small line which runs into a larger line?

A. Not necessarily, no.

Q. Would you say a 16-inch high pressure line in a field was a gathering line?

A. Yes.

Q. Just what is your criterion, now, for the term "gathering"? Does a compressor station have anything to do with it? Do the pressures in the line have anything to do with it? Does the fact that the line happens to be in a field, a gas field, have anything to do with it? Just what is your criterion, how do you tell when you have a gathering line or some other kind of a line?

A. Well, I would say that if you had a source of supply to be met, or a central point at which you wanted to gather the gas for delivery into a pipe line, I would say that the lines projected from this point to any place would be gathering lines, because the object of them is to gather gas and bring it to certain points.

Q. As I understand it, this big transmission line coming down to New Orleans has smaller lines feeding into it at two places. That wouldn't make this transmission line in any way a gathering line, would it?

A. There isn't any gas being fed into that large line. What do you have reference to? I don't know of any point—

Q. (Interposing.) I have reference to the two instances where the gas is fed into the line, fed into the United line south of Baton Rouge. I am trying to get in the record just exactly what you mean by "gathering".

A. Repeat your question on that, please?

Q. My question is this: As I understand it, this line coming down from the field to New Orleans has two lines which feed into it?

A. Yes, that is right.

Q. United's portion of the line?

A. There are three.

Q. There are three lines?

A. Yes.

Q. Would you say that that main line was a gathering line in so far as the gas feeds into the main line, that those smaller lines were gathering lines which feed into the main line?

A. I would say that the small lines were gathering lines feeding into the main line, yes.

Q. You would?

A. Yes.

Q. Well, what if the gas was delivered before it ever came into the smaller lines, I mean was gathered? In other words, what if it was gathered to a central point before it was ever put into this smaller line which joins your main transmission line, what kind of lines would those be?

A. Gathering lines.

Q. Gathering lines?

A. Yes.

Q. What does a compressor station have to do with the distinction between gathering and transmission?

A. What does a compressor station—

Q. (Interposing.) What does a compressor station have to do with the question as to whether you have gathering or whether you have transmission? You have

testified here in detail, in considerable detail, as to just how gas is delivered at the intake of certain compressor stations. Now what has that got to do with whether a system is gathering or whether it is transmission?

A. Well, the gas has to be gathered and brought in to a central location to be compressed. That isn't necessarily true. You could have a little booster plant out on one of your gathering lines.

Q. Well, does the compressor station have anything to do with the determination of whether you have a gathering line or a transmission line?

A. No.

Q. Not anything?

A. No.

Q. Now let's take an example here. Let's take your deliveries to—I am looking at your Exhibit 43, and also at your Exhibit No. 5, and also your Exhibit No. 6. I have those exhibits before me now. I direct your attention to Exhibit No. 43, the line designated as F-13 and the delivery point where the United Carbon Company delivers gas to the Interstate Natural Gas Company.

A. Yes.

Q. Do you have that position there?

A. Yes.

Q. All right, now. In what form is the gas delivered by United Carbon Company to the Interstate Natural Gas Company there, is it delivered from many different individual lines or is it all gathered before it is delivered?

A. It comes from several different lines. However, it is off of one particular line that the delivery is made, but ultimately the source was several lines.

Q. As a matter of fact, looking over here at your Exhibit No. 5, that gas came from wells widely scattered, wells owned by the United Carbon Company, did it not?

A. That is correct.

Q. And the gas was gathered from these various wells through small pipes, 4 and 6 inch pipe, or maybe smaller than that, is that right?

A. That is correct.

Q. And when it was delivered to Interstate Natural Gas Company there at that point, it had already been gathered, hadn't it?

A. It had been gathered for the purpose of the United Carbon Company.

Q. As a matter of fact, some of it had even been compressed?

A. No.

Q. None of it had been compressed here?

A. No.

Q. If you presented a true picture, I mean a complete picture of the field, and all the lines in the field, you would have a spider web or lines running out in many directions from that delivery point to Interstate Natural Gas Company there at F-13?

A. No, not necessarily at that point. The line through which they deliver that gas is one of their main gathering lines projected down into the Southern part of the field, and running over into Union Parish. Our line, F-13, was originally laid to gather the gas that we purchased from the United Carbon Company and several wells belonging to the Palmer Corporation, from whom we purchased gas.

Q. Well, as a matter of fact, the line was originally laid to transport the gas which had been gathered by United Carbon Company to the Desiard Compressor Station, isn't that right?

A. It was laid to permit the gas to come into Desiard Compressor Station; whether you want to say "transport" it, I don't know.

Q. As a matter of fact, it is all a play on words so far as the movement of this gas is concerned?

A. That is correct.

Q. As a matter of fact, the gas moves right from the well right on in here to New Orleans, doesn't it?

A. No, not necessarily.

Q. Well, gas moves from the well and moves right on to its destination, doesn't it?

A. Through a series of pipe lines, yes.

Q. Without interruption?

A. Well, it depends on what you call an interruption.

Q. About how many wells—

A. (Interposing.) What do you mean by being interrupted?

Q. Well, I don't know what I mean by being interrupted. I mean just exactly what the dictionary interpretation of that word would seem to indicate, that there was no stoppage of the flow of gas.

A. That is correct.

Q. That there was no obstacle put in the way of the flow of gas.

A. That is correct.

Q. That it moves right straight from the well to its destination.

A. That is right.

Q. Comingled with other gas.

A. That is right.

Q. Now about how many wells would you say United Carbon Company has from which United Carbon Company gathers its gas to deliver to Interstate Natural Gas?

A. I don't know the exact number of wells.

Q. Approximately how many?

A. I would say that it took at least 20 of their wells to produce the gas that is delivered to us.

Q. Is the gas delivered to you at the very end of their gathering system, or is it gathered and then transported some distance and delivered to you?

A. It is about roughly, I would say, the center of this particular line that is projected on up into Union Parish, it is mid-way of it.

Q. In other words, they have wells up in Union Parish?

A. That is true.

Q. And they have a line running up into Union Parish from this delivery point at which they deliver gas to Interstate?

A. That is correct.

Q. And at the end of this line up in Union Parish, they have many lines radiating from it?

A. That is correct.

Q. And the gas is gathered there and transported down to the delivery point to Interstate Natural, is it not?

A. Well, from my general knowledge of that system of theirs, that gas could, under certain circumstances, flow either way. They feed off of that same system the Memphis Natural Gas Company and the Mississippi River Fuel, and some of the gas out of that system finds its way into the Southern Natural, also.

Q. In other words, after they have gathered the gas they put it into this line, which is a gathering point, the point of delivery, and they may deliver it to four or five different companies from the point at which they have gathered the gas?

A. Yes, which is all over the field along this particular line.

Q. The whole point I am trying to get at, frankly, is that the gas has been gathered before it is ever delivered to these companies, gathered by United Carbon Company from many sources?

A. Yes.

Q. And delivered to a centrally located point?

A. No, I wouldn't say a centrally located point, because they have take-offs at several points along their system.

Q. And one of the take-offs is here at point F-13?

A. Yes.

Q. To Interstate?

A. That is correct.

Q. Let's go up to another purchase of gas by Interstate Natural Gas Company. I direct your attention to line F-12, on Exhibit No. 43, in regard to the Southern Carbon Company. Does that indicate the delivery of gas by Southern Carbon Company to Interstate Natural Gas Company at point of delivery?

A. Line F-12?

Q. Yes.

A. Yes, the gas that they deliver through that station proceeds on in, as you will notice opposite F-12, into line F-2, a line leading on into Desiard Compressor Station.

Q. Here is what I want to ask you. Do they gather the gas and deliver it, does Southern Carbon gather the gas and deliver it to Interstate Natural Gas Company at a central point here?

A. Yes, they make part of their deliveries there.

Q. In other words, the gas is delivered here in a somewhat similar way to the way it is delivered to Interstate by United Carbon Company?

A. That is correct.

Q. However, there is a difference in there, in that some of that gas is compressed by Southern Carbon Company before it is delivered to Interstate Natural?

A. That is correct.

Q. And of course that wouldn't have anything to do with the determination of whether it was gathering or whether it was transmission of gas?

A. Not necessarily, no.

Q. Would it have anything to do with it? Here is a compressor station, here is gas that has been gathered by Southern Carbon from many sources. It is delivered at a central point here to Interstate Natural Gas Company, but before it is delivered it is compressed.

A. A portion of it is. I forget exactly how much now, but in the neighborhood of 14 or 15 million, I believe. They are delivering at this time around 20 million cubic feet down there. The balance of it is coming out of their system that comes by Fairbanks and goes on up to the Memphis Station to which they deliver gas. That gas that is compressed is some low pressure gas that would not feed under contract conditions unless they compressed it.

Q. Now how long is the main field line of the Southern Carbon Company which brings this gas up to the delivery point here to the Interstate Natural Gas Company?

A. Well, it is part of their gathering system. Are you referring to F-2 there?

A. I am referring to F-12.

Q. How long is that line?

Q. I want to know—I am referring to the delivery point here, to Line F-12, of the Interstate Natural Gas Company. I want to know this, about how long is the Southern Carbon's line, main field line, bringing the gas up to the delivery point here to Interstate Natural Gas Company?

A. They have two or three lines converging at that point. One, as I told you, brings the gas in from that very low pressure area over around Swartz, and then the balance of the gas that feeds in and is comingled with that gas before it is delivered to us, comes from almost directly south of Fairbanks. They have some wells down in there which are capable of feeding under contract conditions, and as I understand whatever gas they didn't use there, it goes on up to the Memphis

station. But this is just a point in their gathering system.

Q. Which gathering system ends at the point of delivery to the Interstate Natural Gas Company, because they have gathered the gas there, haven't they? Where is the end of the Southern Carbon Company's gathering system is what I want to know?

A. Well, they have—

Q. (Interposing.) In this particular case.

A. Well, part of their gathering system ends right there at that compressor station, and I suppose you would say that the line that comes in from this low pressure area, one terminates there, but the balance of the gas delivered there is delivered out of a line, I believe, that terminates pretty close to the Memphis station.

Q. In other words, after Southern Carbon Company gathers its gas and gets it in one basket, so to speak, then it shoots some of that gas to Memphis Natural and some to Interstate?

A. They don't deliver to Mississippi and Southern Natural out of the same system that they deliver to Intersate and Memphis.

Q. But you say the gas was gathered before it was delivered by Southern Carbon to Interstate Natural?

A. Yes, I would say it is gathered.

Q. Since I am here at this delivery point of Southern Carbon to Interstate Natural, will you trace the movement of that gas on through the Desiard Compressor Station up to its destination and delivery to customers of the Interstate Natural?

A. That gas that is delivered at Fairbanks is delivered directly through Line F-2 into the Desiard Compressor Station for compression into our main pipe line system, 22-inch, referred to, I believe, throughout as T-1.

Q. Now how big is that F-2 line?

A. It is a 12-inch line.

Q. How big is the main gathering line of Southern Carbon Company at the point of delivery to Interstate Natural?

A. At the point of delivery to Interstate?

Q. That is right.

A. The point of delivery, of course, is through the meters of Interstate, or the master meters at that point, and their measurement is accepted as the total amount of gas delivered at that point. Now I think that that line in behind that meter setting is 12-inch line.

Q. All right. Now we come up here to the compressor station, and the gas is compressed there. Where does it go from there?

A. Down to T-1, the 22-inch main line.

Q. Is that a transmission line?

A. We call it a transmission line.

Q. You just call it a transmission line just for convenience, is that correct?

A. No.

Q. As a matter of fact, the transmission line there, according to your label, begins at the compressor station?

A. That is correct.

Q. Well, why wouldn't it begin before it got to the compressor station?

A. Because we had to gather that gas into the compressors into Desiard in order to be able to compress it all and discharge it into our transmission line.

Q. As a matter of fact, before it ever got into the main field lines, it had been gathered, hadn't it?

A. Yes, it had by those other companies.

Q. Well now, since we are down in this territory, let's take this line F-4. That source of supply back of that line, feeding into that line, those are all Company wells, aren't they?

A. No, not all of them. You will notice down here at the very bottom of the page there are two wells designated Bond 1 and 2. We purchase gas from those two wells.

Q. Now trace your gas through F-4 to its ultimate destination?

A. Well, the gas from all these wells—I won't designate them attached in there, inasmuch as that is a separate gathering system—finds its way through this F-4, across the River—that odd line in there is the River, do you see that?

Q. Yes, I see that.

A. It follows on through and passes into Fairbanks. At Fairbanks it enters Line F-5. The gas then crosses into a line which is not shown on here—

Q. (Interposing.) Yes, you haven't got that line shown on Exhibit No. 48. In other words, it doesn't even go through the compressor station, does it?

A. No, it does not.

Q. It goes around the compressor station?

A. Yes.

Q. On what line, F-45?

A. F-45.

Q. A 12-inch line?

A. A 12-inch line. It goes into F-1, or before it goes into F-45 it can be diverted into that F-2 for compression. Those lines can be equalized and the gas go into the compressor station. But I am speaking of at the present time how the gas is flowing.

Q. All right; F-1 is a 16-inch line?

A. That is correct.

Q. Is that a high pressure line?

A. No, a medium pressure line, running from 135 to 150 pounds.

Q. Is that a transmission line?

A. No.

Q. Why isn't it a transmission line?

A. Well, we have always called it a gathering line. It was projected in order to gather gas from the Southern Carbon up at Perryville, the United Carbon Company which you will see there at Cargas, a number of wells that used to belong to the Palmer Corporation from which we purchase gas, then the Southern Carbon down at Guthrie, and the gas can flow either way. At the present time it is flowing up that way, but it can flow either way.

Q. You just call it—

A. (Interposing.) Depending on the amount of gas that is either being taken off of the line or being put into it.

Q. You just call it a gathering line because it has been the custom of the Company to call it a gathering line?

A. It was projected as a gathering line to gather this gas from the purchase points and production.

Q. You could very well call it a transmission line, could you not, since it ties in these two important points?

A. I suppose you could, but we have always called it a gathering line, that was just the terminology that was used.

Q. Now I just can't pronounce this French here, but I have a good mind to call this the Fowler Station.

A. All right.

Q. I am going to call it from now on the Fowler Station.

Does any gas go from the Fowler compressor station on up through F-1 to Perryville?

A. No, it does not.

Q. None of that gas feeding into F-1 goes through the compressor station?

A. Repeat that, please?

Q. None of the gas feeding into F-1 goes through the compressor station?

A. No.

Q. Does the size of a line have anything to do with whether it is a transmission line or a gathering line?

A. No.

Trial Examiner:

Where does that gas go that you say is gathered on Line F-1, what is the direction of the movement and where does it go?

The Witness:

At the present time the movement is North towards Perryville.

Trial Examiner:

Well, it doesn't just stop up there somewhere, does it? Where does it go?

The Witness:

It finds its way into the Mississippi and Southern Natural through this line designated F-33A. There is a flow in two directions in that line; we receive gas—

By Mr. March:

Q. (Interposing.) On this F-1 line is there any gas fed into that line?

A. Yes.

Q. Between the Fowler station and Perryville?

A. Not at the present time, no.

Q. Well, how in the world could that be a gathering line, then, if there is no gas feeding into it, according to your definition, from various points along the line?

A. Excuse me, I misunderstood your question. I want to call your attention to the fact that up at the

Northern end of the line, marked Southern Carbon, that we do receive gas there which flows into Line F-1.

Q. Yes, but that flows from the opposite direction, doesn't it?

A. It flows South.

Q. In other words, that originates and flows South into the line?

A. That is correct.

Q. At the end of the line?

A. That is correct, it flows South.

Q. All right, then. We have here a 16-inch line, an express train, so to speak, moving from the Fowler Compressor Station up to Perryville. Now isn't that a transmission line?

A. I suppose that is a legal point. I call it a gathering line. That is what I think it is, and whenever I have mentioned that line I think of it as a gathering line.

Q. Just because it happens to be in the field, is that the reason you think it is a gathering line?

A. No.

Q. Or is it just because the Company has seen fit to label it a field line?

A. No, that was the primary purpose of the line when it was built. It was a gathering line.

Trial Examiner:

Well, it doesn't gather any gas from the Fowler Station and the point at which F-33A goes off of it?

The Witness:

It does at times. At the present time it does not. There are points of delivery from the Southern Carbon at Guthrie, or there can be deliveries of gas from the United Carbon Company at Cargas.

Trial Examiner:

There can be, but you say there is not?

The Witness:

At the present time since February, I believe.

By Mr. March:

Q. Now isn't this just about—assuming now, say, that some time, every once in a while, gas feeds into F-1 along the route, isn't this just about the same situation you have, for all practical purposes, the situation we discussed a few minutes ago where the main line to New Orleans, certain gas fed into the main line along the way?

A. I hadn't thought of it in that light at all.

Q. Well, as a matter of fact isn't it just about the same situation? You have a line running down here to New Orleans which you call a transmission line, and you have feeding into that line a couple of lines. Just because two lines feed into that line doesn't make it a gathering line, does it?

A. Well, I would say this, that even if the Southern Natural and Mississippi didn't take any gas from us, we would still have to use that line to gather that gas from the Southern Carbon.

Q. You would have to use that line to transport the gas from one point to another point, wouldn't you, from the Fowler Compressor Station up to Perryville where you deliver it to these various utility customers?

A. Well, it is according to what word you want to use. I would say that we would still be gathering the gas.

Q. You wouldn't be gathering it along that route, would you? You are not taking any gas in along the route. Therefore, you are not increasing the amount of gas.

A. We might at any time.

Q. You are not now, are you?

A. No.

Q. When was the last time you did?

A. In February.

Q. In February?

A. That is right.

Q. That is a sort of a stand-by service along that line, then, isn't it, or what is the occasion for not feeding any gas into that line since February, that line F-1?

A. The contracts with the United Carbon and Southern Carbon regarding the total amount of gas which we were to purchase from them have been reduced, and they chose to make their deliveries of this entire quantity of gas from the United Carbon out on F-13 rather than at Cargas.

Q. All right, let's take this F-44 running from the Fowler Compressor Station up to the point of delivery to the Memphis Natural—is that correct?

A. Yes.

Q. Now is that gas compresed at the Fowler Compressor Station before it goes into F-44?

A. It is not.

Q. What is the size of F-44?

A. It is a 12-inch line.

Q. A 12-inch line?

A. That is right.

Q. How is that gas routed through the compressor station if it is not compressed?

A. It is not routed through the compressor station.

Q. It is not very clear here on your map, Exhibit No. 43, it is not clear at all as to how that gas gets through the compressor station.

Mr. Dougherty:

If you will look at that exhibit that has the Desiard lay-out, you will get a clear picture of it.

By Mr. March:

Q. It goes around the compressor station, is that correct?

A. That is correct.

Q. What is the number of the line on the other side that feeds into F-44?

A. The line that feeds into F-44?

Q. That is right.

A. That gas can come out of Lines F-51 or F-3; or the Hope Producing Company, under pressure, certain pressure conditions, could deliver into it. But at the present time that gas is coming out of F-51, a 10-inch line, and F-3, a 12-inch line.

Q. All right. I don't see any gas fed into F-44. Is there any fed into the F-44 line between the Fowler Compressor Station and the point of delivery to Memphis Natural?

A. No, there isn't.

Q. Then that line doesn't serve as a gathering line, does it?

A. No, there isn't any gas that goes direct out of F-51. However, gas can be fed out of that system—

Q. (Interposing.) At any rate, F-44 from the Fowler Compressor Station to the Memphis Natural is not a gathering line, is it?

A. I have always considered it a gathering line.

Q. There is nothing gathered there, is there, it has already been gathered; it transports gas that has already been gathered, doesn't it?

A. I guess you could consider it that way.

Q. Don't you consider it that way? Doesn't it transport gas which has already been gathered?

A. Well, I would say that it is a continuation of the flow of the gas from these gathering lines.

Q. Well, as a matter of fact, as I said a while ago, the gas flows clear from the bowels of the earth right on down to the ultimate destination, doesn't it?

A. Yes, it flows uninterrupted there.

Q. Then isn't the line, F-44, from the Fowler Compressor Station up to the point of delivery to Memphis Natural a transmission line? Couldn't you just as well call it a transmission line as a gathering line, or more so?

A. I suppose you could.

Q. Well, do you? As a matter of fact you are not concerned with these problems every day, are you?

A. No.

Q. You are not concerned with the fine labeling of these lines "transmission" lines and "gathering" lines, are you?

A. No, I am not concerned with the labeling of them at all.

Q. You have just taken the labels which you found on the lines. As a matter of fact as a dispatcher you look at this whole Company as a unified system, don't you?

A. No.

Q. You don't?

A. No, I look at it as a field gathering system, then a main transmission system. The field takes in everything, including all our purchases and sales in the field, and our production, just one network of pipe lines.

Q. That is just a matter of convenience, isn't it, the demarkation there, the lines in the field and the lines out of the field?

A. I suppose that is it.

Q. As a matter of fact, as dispatcher you have got to know your demands for gas and you have got to know where your supply is coming from?

A. That is correct.

Q. And you even go so far as to order the increasing of the flow of gas from individual wells, and putting them into the line, and even go so far as to recommend the drilling of wells, don't you?

A. Yes.

Q. Now this F-51 line which you referred to, you say gas may come from F-51 over into F-44, or it may go through the Fowler Compressor Station?

A. Yes.

Q. All right. Say that F-51 gas feeds through the Fowler Compressor Station, it is compressed and shot into the line labeled Transmission Line T-1. For all practical purposes the transmission of the gas from Fowler Compressor Station over T-1 to the outskirts of the field is no different from the transmission of gas from the Fowler Compressor Station to Memphis Natural, is it?

A. Except there are quite a few more points at which gas is gathered.

Q. There is no gas gathered, we have already gone over that, there is no gas gathered on F-44.

A. That is correct.

Q. There is no gas gathered on T-1, is there?

A. On T-1?

Q. Yes.

A. No, there is not.

Q. Then it has already been gathered?

A. Yes.

Q. Well, from a scientific standpoint, it is just the same, isn't it? For all practical purposes there is no difference between the transmission of gas from the Fowler Station to the edge of the field and the transmission of gas from the Fowler Station through F-44 to the Memphis Natural delivery point, is there?

A. I suppose not, there.

Q. Now I will ask you another question here. We have discussed here the movement of gas into the Fowler Station and around the Fowler Station, from individual wells all the way through in one instance, through F-44 and all through there. Isn't the movement of gas

comparable to the flow of a stream? It originates, a lot of smaller streams feed into it, and as more streams feed into the main stream the main stream gets larger. Is that an analogous situation?

A. No, I don't know that you could describe it in that manner, you might.

Q. Well, you start with an individual well, don't you, a small line, a 6-inch line which feeds into a 12-inch line, which may have numerous 6-inch lines feeding into it?

A. Yes.

Q. Then that feeds into a 16-inch line, and it feeds into a 22-inch line, and it is identical with the flow of a stream, isn't it; the principle is the same, isn't that right?

A. Yes, that is correct.

Q. All right, let's go now to another line here, let's go to F-33. By the way, before I go to that, I want to ask you this. In all cases where companies deliver gas to the Interstate Natural Gas Company, they have gathered the gas before they deliver it to the Interstate, haven't they?

A. Repeat that, please?

(The question was read by the reporter.)

The Witness:

No, that is not true; there are certain instances, for instance—

By Mr. March:

Q. (Interposing.) There are only 3 other—go ahead.

A. (Continuing.) —like the Bond, Bond 1, and over in Union—

Q. (Interposing.) You name the exceptions.

A. And the U. S. A. Well over there, that is the Hope Producing Company, and the Howard Well, you see How. Sawyer there over near Rocky Branch?

Q. Yes, I see that.

A. There is one well in there that belongs to the United Carbon Company, in which we have an exchange —not exchange either, but that is considered part of their deliveries under their contract. We take that one well, and there is a well that we buy gas from, Stovall, right there next to it.

Q. I see Stephenson No. 1—

A. (Interposing.) Yes, Stephenson No. 1; Louisiana Gas Lands, that is another. I believe that is all.

Q. With those minor exceptions, my statement is correct, isn't it?

A. That is correct.

Q. What percentage would you say that those exceptions make of the total gas delivered to the Interstate Natural Gas Company, roughly?

A. It would be very small.

Q. Very small?

A. Yes.

Q. It would be around 1 percent?

Mr. Dougherty:

We have an exhibit here. I want it right, I don't want these guesses.

Exhibit 38, Mr. March, shows the purchases by volumes in the Monroe Field. If you take 1941, you can probably point out the ones that are both directly from the wells and those that come from Southern Carbon and United Carbon.

Mr. March:

Let's just refer to that in the record so that the record will show; what exhibit is that?

Mr. Dougherty:
No. 38.

By Mr. March:

Q. Let's go to F-33. I am looking now at F-33 at the delivery point to T-9.

A. Yes.

Q. At Perryville.

A. Yes.

Q. Now just go up that line back up towards its source of supply. I want you to tell me where the first gas feeds into that line, F-33?

A. It feeds into that line at a point in Union Parish, you see where it crosses the river just North of there?

Q. Yes, sir.

A. Near the tie-in of this well F-55.

Q. Is that a 16-inch line?

A. Yes, that is a 16-inch line.

Q. Now there is no gas, as I see it, moving from—feeding into the line from the point which you have indicated to its destination here at T-9, is there?

A. No, there isn't.

Q. That is not a gathering line, then, is it?

A. I have always considered it as such.

Q. Well, it couldn't be, because there is no gas feeding into it, is there? There is no gas gathered by the line, the gas has been gathered before it ever gets to the line.

A. That F-33 extends all the way—

Q. (Interposing.) I know, but we are talking about the point that I indicated, and you indicated. We will get to that later, where gas feeds into it. I am talking about the length of the line where no gas feeds into it, it is an express train. That is not a gathering line, is it?

A. I have assumed it to be all the time.

Q. Well, it is just an assumption, or is it your opinion as a responsible dispatcher?

A. Well, I would say it was a gathering line, because if it hadn't been laid to bring that gas down there, we could not have gotten it into that line which we purchased from the Mississippi River Fuel.

Q. Well, if you hadn't laid T-9, you couldn't have gotten the gas down to its destination either, could you?

A. We didn't lay T-9.

Q. Well, if T-9 wasn't there you couldn't transport the gas to the ultimate destination.

Now just a minute here. What is the difference, what is the magic involved here, that is what I am trying to get at. You have F-33, a 16-inch line feeding into T-9, a 16-inch line. No gas feeds into F-33 from the point which we have indicated, it continues right on through to Perryville and ties right into T-9. Now I want to know where gathering and where transmission begins and ends?

A. Well, I have just always assumed that it began there at T-9.

Q. Why; why did you assume that, just because there was a label there on it?

A. Well, that F-33 was there long before T-9 was, and we used to receive gas from those Fleming wells in through that F-33; also gas used to come through that F-30 on down in through this and made a loop system out of that F-1 into that Desiard Compressor Station.

Q. Those low pressure wells couldn't do that now, could they?

A. That is correct.

Q. Therefore, that is past history?

A. Yes.

Q. So, so far as we are concerned, there is no difference between F-33, from the point we have indicated, and T-9. They are 16-inch lines operating at the same pressure, aren't they?

A. That is correct.

Q. So they are identical, and any designation as to gathering or transmission would merely be a matter of convenience which would mean nothing from a technical standpoint, isn't that correct?

A. (No response.)

Q. An operating standpoint, if you prefer that.

A. From an operating standpoint, it means something to me, but from a technical standpoint I couldn't say.

Q. Now why does it mean something to you to have this magic, might I call it, line here as to where allegedly gathering ends and transmission begins, why does it mean anything to you as a dispatcher, in your business?

A. Well, it means a line through which we can receive this gas. It is not impossible for the gas to come out of that F-33 and come on down through F-1.

Q. Well, it doesn't do that, does it?

A. Not at the present time.

Q. Well, it hasn't in the past, has it?

A. Well, it has come out of F-33 into that line in the past.

Q. When did you do it the last time?

A. Quite a while.

Q. About 6 or 7 years ago?

A. Probably 6 years ago, I am not certain of that.

Q. Can you answer my question any more directly on that? I don't want to press you too closely on it.

A. As to the date?

Q. As to just why it means something to you from the standpoint of a dispatcher, as to whether F-33 is a transmission line from the point we indicated, or a gathering line?

A. No, it doesn't mean anything to me.

Q. As a matter of fact, as a dispatcher that is something you never consider; you consider the movement of gas, don't you?

A. Yes.

Q. You don't pay any attention to this imaginary line drawn here across a 16-inch line, one with a T-9 and the other with an F-33. So far as you are concerned, it is all the same, isn't it?

A. No, I don't think so.

Q. Well, they are the same sized lines, aren't they?

A. Yes.

Q. They have got the same pressure in them, haven't they?

A. Yes.

Q. The same amount of gas flows through them?

A. That is correct.

Q. Now I want you to show me anywhere, where the Company labels these lines gathering lines, on any of the exhibits which you have offered in evidence here. I see the field line, F-33, is labeled as a field line?

A. That is correct.

Q. They don't say they are gathering lines, do they?

A. No, they don't, we say they are lines that are laid in the field.

Q. That is right.

A. To gather the gas.

Q. Well, they are laid in the field just like T-9, is that in the field?

A. We don't consider it in the field.

Q. Well, is T-9 in the field?

A. Parts of it are.

Q. Well, would you say that the part that was in the field was a field line?

A. No, I wouldn't say it was a field line.

Q. You wouldn't say it was a gathering line either, would you?

A. No.

Q. In spite of the fact that it transports gas, which has been gathered in the field, from one point of the field to another?

A. No, I wouldn't say it was a gathering line.

Q. From a functional standpoint, then, there is no difference between F-33 and T-9 from the point we have indicated here on F-33 to a juncture with T-9? It is one continuous line?

A. It is a continuous line, yes.

Q. Do you know why they ever labeled T-9 as a transmission line to begin with?

A. No, I can't say.

Q. Do you know whether they have ever changed the labeled designation of F-33 or not, in the past? Do you know whether that was labeled a transmission line or not?

A. No, it has never been labeled a transmission line.

Q. By the Company, in so far as you know?

A. No.

Q. Do you know positively that it hasn't been labeled as transmission line, F-33?

A. Not to my knowledge, no.

Q. Well, you just don't know, is that right?

A. I believe I would know if it had been.

Q. Well now, let's move along up, go back up here on F-33 where the first well feeds into F-33. Is F-33 a continuous 16-inch line to its juncture point with F-103?

A. Yes.

Q. Well now, just because gas feeds into that line from various individual wells, does that change it from a transmission line to a gathering line, does that make it a gathering line from the point at which the first well feeds into the juncture of F-103?

A. No; that doesn't make it a transmission line.

Q. That doesn't make it either a gathering line or a transmission line, is that right?

A. Well, the purpose of it was to gather the gas from up in there.

Q. As a matter of fact, is there any gas gathered there? How much gas is there gathered along there from its juncture with F-103 to the point at which F-156 feeds into it?

A. Well, that will vary.

Q. Let's see how many wells are feeding into it, I mean how many lines, not wells?

A. Eight.

Q. Eight lines feeding into it?

A. Yes. You might say 9, including that F-108.

Q. But you consider that gas has been gathered when it enters into this main field line, if you prefer to call it that, the 16-inch line, F-33? For example, take a well here, take Well No. 70, there is a line running from Well No. 70 designated as F-171, and it ties into, feeds into F-33. Now hasn't that well's gas been gathered at the juncture point there with F-33?

A. I suppose it depends on how you look at it.

Q. It has been put in the same basket with the rest of the gas, hasn't it?

A. Yes, it is in the same system then.

Q. It is in the same pipe line with the rest of the gas, and the only change in the pipe line is that more gas comes into it down the line. Now hasn't the gas from Well No. 70 been gathered when it feeds into F-33?

A. To a certain extent, yes.

Q. To what further extent does that gas have to be gathered?

A. I would think—

Q. (Interposing.) That particular gas doesn't have to be gathered any more, does it?

A. No, it doesn't have to be gathered any more.

Q. It is already gathered and you don't have to go out and garner it again?

A. No.

Q. All right. Now this line F-108, what size line is that?

A. That is 6-inch.

Q. A 6-inch line?

A. Yes.

Q. How many wells feed into that line?

A. Well, that line—

Q. (Interposing.) I mean how many lines feed into that line?

A. Three.

Q. Well, when F-109 feeds its gas into F-108, from Wells Nos. 68 and 3, that particular gas has been gathered, hasn't it?

A. From F-109?

Q. Yes.

A. That gas flows into either that F-33 or F-108.

Q. Yes, whichever the case, the gas has been gathered when it feeds into F-33 or 108, whichever the case may be?

A. It is somewhat the same situation as F-171, which you have just mentioned.

Q. I am going to leave this for just a few minutes, and I want to ask you several general questions.

Trial Examiner:

Do I understand that will complete your cross examination of this witness, or not?

Mr. March:

I am not through with him yet.

Trial Examiner:

I mean these several general questions you are going to ask.

Mr. March:

It may be that other questions will occur to us when we have examined these exhibits more fully, Mr. Examiner. That may be possible. But I think I have completed his cross examination for the most part.

Trial Examiner:

All right, go ahead.

By Mr. March:

Q. Oh, yes, I want to ask you a question here to clear this up.

On Exhibit No. 5, just what did you have to do with the preparation of that exhibit?

A. I helped take some of the acreage off of the maps.

Q. Some of the acreage off of the maps?.

A. I mean off of the maps from which this was prepared.

Q. Who really prepared Exhibit No. 5?

A. Well, the biggest part of it was coloring after the first map was made, but this map was primarily made by P. McComb.

Q. Who is he?

A. He is our engineer.

Q. Is he here?

A. No, he isn't.

Q. So he prepared this map?

A. Under my supervision, that is right.

Q. Now I see a line running around the map, a dotted line. What is that, anyway, running around the edge of the acreage here, all around? I should say it is a fine dashed line.

A That is someone's projection of what they thought to be the outlying edges of the field, I suppose.

Q. You don't know whether it is the outlying edges of the field or not?

A. No, I can't say.

Q. Then that is meaningless in so far as this map is concerned?

A. Exactly.

Q. This map is solely for the purpose of showing this acreage?

A. That is correct.

Q. Could you tell me what percentage of the total area of the field each one of the companies own which are listed in the right-hand, lower right-hand corner of the exhibit?

A. I couldn't offhand, no, I couldn't tell you what percentage.

Q. Can you get those figures, Mr. Dougherty?

Mr. Dougherty:

I guess we can, yes.

By Mr. March:

Q. Then I want to ask you another general question here. About what percentage of the gas moving out of the Monroe Field do you dispatch, are you responsible for dispatching?

A. The entire responsibility of dispatching that I have would be only on that gas which is transmitted through our own main pipe line to Baton Rouge. Then the responsibility, as far as dispatching is concerned, lies in contacts with the producers delivering to the Mississippi and Southern Natural.

Q. But the way your set-up is—

A. (Interposing.) But the actual responsibility of the dispatching for the pipe line gas that goes out, I don't have anything to do with that after it is delivered to those pipe lines.

Q. But I want to know this: Of the gas moving out of the Monroe Field, about what percentage of that gas do you have the responsibility for dispatching?

A. Well, I would have to get some figures.

Q. Well, most of it you do have that responsibility for; you are the principal dispatcher in the field, aren't you?

A. For Interstate I am. The other companies have dispatchers also.

Q. But their responsibility begins where yours ends, doesn't it? You have to get the gas to them, don't you, make the allocations?

A. Yes.

Mr. Dougherty:

Mr. March is talking about the dispatching of gas up to the delivery to the Mississippi and Southern Natural, not the dispatching of it on their lines beyond those points.

The Witness:

Well, I don't have the responsibility of the dispatching of the gas up to the delivery point to the Mississippi or the Southern Natural.

By Mr. March:

Q. Just what do you have to do with that?

A. I believe in my previous testimony I said that we were the go-between, between the Southern Natural and Mississipi, and the producers which deliver gas to them, that is our responsibility.

Q. You are the contact man, you are the key man in the movement of all the gas that is coming out of the Monroe Field, aren't you?

A. No, I wouldn't say that, there are quite a few other pipe lines going out of that field.

Q. You have something to do with the movement of all the gas out of the Monroe Field with the exception of what companies' gas?

A. Quite a few.

Q. Well, what?

A. The Memphis line, the Jackson, Mississippi line—

Q. (Interposing.) You are talking about outside the field now, you have something to do with the movement of that gas to these particular companies, don't you?

A. No, not the actual movement of the gas. I only have the contacts and inform each producer of the amount of gas that they are going to be required to deliver to these companies, and notify them when the gas has properly been delivered.

Q. In other words, you control the quotas, you expedite the quotas and see that they are met, and you know what they are and you know the arrangements, and you have that responsibility in regard to the whole field, don't you?

A. Not the whole field.

Q. I want to know what companies you don't have anything to do with moving gas out of the Monroe Field, that is what I want to know. You are not even a go-between, you are not anything in regard to them, you have nothing to do with it?

A. There is the Memphis Natural and—

Q. (Interposing.) Well, now, you have something to do with the movement of part of the gas that Memphis Natural takes, don't you?

A. Yes, but not as a dispatcher.

Q. As a go-between?

A. No.

Q. Nothing?

A. Nothing. We deliver gas to the United Gas and they do the dispatching on that quantity. The Jackson, Mississippi line—

Q. (Interposing.) Which line is that?

A. The United Gas Pipe Line Company's line over to Jackson, Mississippi. The Southern Gas Line—

Q. (Interposing.) You mean the Southern Natural?
A. No, the Southern Gas Line.

Mr. Dougherty:
Where does that go?

The Witness:
The line from Monroe to Alexandria.

Mr. Dougherty:
That is a small line?

The Witness:
That is just a small line. And the Arkansas line.

By Mr. March:
Q. Just roughly what percentage is it that you don't have anything to do with?
A. I don't know; I will have to get those figures.
Q. All right. Here is a question I want to ask you. So far as Interstate Natural Gas is concerned you are in complete charge of dispatching; no one else has anything to do with it, have they; you are the chief dispatcher?
A. Yes, but I am subject to supervision.
Q. How many maps do you have in front of you when you are dispatching, do you have three maps or one map?
A. We have quite a number of maps.
Q. Are any of these maps your working maps when you are actually dispatching, either Exhibit No. 43, or—
A. (Interposing.) No.
Q. In other words, you didn't bring those maps down here—
A. (Interposing.) Excuse me, not this particular one.

Q. Which one do you mean, let's identify it?

A. This map.

Q. That is Exhibit Number—

A. (Interposing.) That is one that is used regularly.

Q. You say Exhibit No. 43 is used regularly?

A. Yes.

Q. Well, that doesn't have all the information on it, does it?

A. In so far as the general flow of gas through our gathering system and all is concerned, yes. This is used primarily to show locations of wells and the valves. You will notice that all the valves are on this map and a man can very easily take that map and go into the field and close or open valves without the danger of getting confused.

Q. It is just solely a valve map?

A. Well, yes.

Q. Now this Exhibit No. 5 has nothing to do—you don't utilize that in your regular operations, do you?

A. No.

Q. You don't utilize Exhibit No. 6?

A. Not so far as acreage is concerned.

Q. Now in dispatching gas in this system, the Interstate Natural Gas System, do you treat it as one complete system, one complete system in dispatching gas in Interstate's system; is that one system or do you consider it two systems?

A. From what point to what point?

Q. I mean from the dispatching of all gas of Interstate Natural Gas Company, in the dispatching of that gas as I understand it you move the gas from the wells to the ultimate destination?

A. That is correct.

Q. And in doing that you look at the thing and treat the Interstate Natural Gas Company and all of its lines as one complete integrated system?

A. No, I do not.

Q. You don't consider it a complete integrated system?

A. No—

Q. (Interposing.) It is not integrated?

A. To a certain extent.

Q. Well, in what respect isn't it integrated?

A. Well, inasmuch as the gas is flowing from quite a number of points throughout the field, I consider the operation in the field entirely separate from the operation of the main line.

Q. Well, you have to feed the main line, don't you, or you wouldn't have any gas in it?

A. That is correct.

Q. And in feeding the main line you have to know what the demand is on the line, the markets?

A. That is right.

Q. So therefore it is operated as an integrated system, isn't it?

A. Well, the main pipe line of course is dependent on this gathering system for its gas.

Q. Well, as a matter of fact, in so far as you are concerned it is just one big system here?

A. Yes.

Q. There is a supply and there is a market and you are interested in meeting the market, aren't you, with your supply?

A. That is correct.

Q. And so therefore it is an integrated system, isn't it?

A. I can't answer that, I suppose that would be up—

Q. (Interposing.) You suppose that would be up to the lawyers to answer?

Mr. Dougherty:

Do you know what he means by an "integrated system"?

The Witness:
No, I don't know exactly what he does mean.

Mr. Dougherty:
Ask him, then.

Mr. March:
Here is what I mean by an "integrated system", and see if this fits the definition as far as you see it.

I mean that you have here a company called the Interstate Natural Gas Company; that you have a market; that you have a supply; that you are the dispatcher and you have to meet the market with your supply, and you have to feed gas into your system from individual wells to meet that demand, and the flow of gas in your system is continuous from your supply to your market; and that in meeting that demand with your supply you are operating the system as a coordinated unit, one unit Now would you say that that is what you do?

A. Well, yes, you could say—

Q. (Interposing.) Would you say that that is what you do?

A. I would say we were operating them together.

Q. Would you say you were operating it as one unit, the properties of this company as one unit?

A. Yes.

Trial Examiner:
The hearing is recessed to reconvene tomorrow at 9:45 o'clock.

(Whereupon, at 5:55 o'clock, p. m., the hearing was recessed to Thursday morning, June 18, 1942, at 9:45 o'clock.)

EDEL F. BLANKS, recalled as a witness, having been previously sworn, resumed the stand and testified further as follows:

Trial Examiner:

As I understand it, counsel for the Commission had completed Mr. Blank's cross examination, or had he not?

Mr. March:

Yes, we had.

Trial Examiner:

Proceed, Mr. Dougherty.

Mr. Dougherty:

Well, if you wish to have counsel for any interveners ask him questions before I proceed with him, it will be all right with me.

Trial Examiner:

I expect to call on counsel for the Complainant, and also for the interveners, but I thought if you had this information it would be well to put it in now, because perhaps some of their questions might be based on that as well.

Direct Examination (Resumed).

By Mr. Dougherty:

Q. Mr. Blanks, at the close of the hearing yesterday afternoon, Mr. March asked you to get some information, first with respect to the percentage of holdings of the acreage in the Monroe Field represented by the five named producers whose names were on the lower right-hand corner of that field map exhibit, namely, Exhibit 5. Have you obtained that information from sources which you deem reliable?

A. Yes, I have.

Q. And will you give it for the record, please?

A. Interstate and Hope—20 percent; Union Producing Company—33 percent; Southern Carbon—17 percent; and United Carbon—7 percent.

Q. Now you also were asked by Mr. March to give him an idea of the percentage of the total gas going out of the Monroe Field which you had something to do with in dispatching that is, either as being in full charge of dispatching or acting with respect to what dispatching you do concerning gas that moves to the Mississippi River Fuel Corporation and the Southern Natural Gas Corporation. Have you that information?

A. Yes. 62.3 percent.

Q. That is, 62.3 percent represents that portion of the gas moving out of Monroe Field which you have something to do with in some way or other as a dispatcher?

A. That is correct.

Mr. March:

Just to make the record clear there, state just exactly the companies with which you have nothing to do with dispatching the gas from the field?

The Witness:

The Arkansas-Louisiana Pipe Line Company, the Southern Gas Line, the United Gas Pipe Line Company to Jackson.

Mr. March:

There is a percentage of the United Gas Pipe Line Company you do have something to do with dispatching, though, isn't there?

The Witness:

Yes, the part which we transport for them.

Mr. March:

Does all of that gas come out of the Monroe Field to Jackson? I thought it came out of one of those other fields up there, United Gas's.

The Witness:

Some of the gas does. It might be at times that they are delivering from out of that Claiborne Parish, I believe it is, I am not certain about that.

Mr. March:

Have you got the acreage on those companies you computed the percentage for, have you got the detailed acreage there?

The Witness:

It is based on a total of 287,000 acres.

Mr. March:

Have you got the break-down for each company?

The Witness:

Yes.

Mr. March:

Will you read that into the record, in acres?

The Witness:

On that question, do you want the balance of that 100 percent, is that what you are asking for?

Mr. March:

I want the break-down on the acreage for each company in the field, by companies, the acreage, if you have that conveniently at hand.

The Witness:
It does not show all of the individual companies, it just shows the Interstate.

Mr. March:
What is the acreage there, read off the acreage that you have there?

The Witness:
Interstate Natural Gas Company—56,149.5; Union Producing Company—94,200.73; Southern Carbon Company 49,752; United Carbon—18,689.32; Hatcher & Evans and Maury Drilling Company combined—1,748; and all others—66,610.45.

Mr. March:
What about Hope Producing, did you mention that there?

The Witness:
That is included in "all others".

Mr. March:
Have you got the Hope figure there, that practically includes most of "all others", doesn't it?

The Witness:
No.

Mr. March:
You don't have that figure there?

The Witness:
No, I don't have that figure here.

Mr. March:
Who gave you those figures?

The Witness:
I obtained these figures from the United Gas.

Mr. March:
The United Gas?

The Witness:
Yes.

Mr. March:
I presume, Mr. Dougherty, you could get the Hope figures for the record?

Mr. Dougherty:
I think we can.

Mr. March:
I would appreciate it if you would complete it.

Mr. Dougherty:
We can get it today.

The Witness:
I might say here, too, that this is not as of the first of this year. This is in 1938, and I haven't available right at this time the actual figures up to date, but if they are desired I would have to go back and take those figures off. That is approximate.

Mr. March:
Those figures that you have given us as to acreage, the percentage figures that you have given us, does that include everything, all the acreage shown on Exhibit No. 5?

The Witness:
Yes.

Mr. March:
In the field and not in the field?

The Witness:
That is right, that is right.

Mr. March:
It is just limited to the area colored here on Exhibit No. 5?

The Witness:
This figure that I have given is based on all of the acreage held in the field by these companies, whether it is on that map or not, at this time. The total as given here might not correspond to the total acreage colored there.

Mr. March:
Of course, you don't know what the field is here, because the boundaries aren't set forth?

The Witness:
That is right.

Mr. March:
There is one other point that I asked him to get for me, and I think he probably overlooked that, and that is the draft of this exhibit as written by Mr. Cooper.

Mr. Dougherty:
Mr. Lange has that, we sent it in preliminary form to him from New York.

Mr. March:
That is the draft that Mr. Cooper wrote?

Mr. Dougherty:

Yes. If you want to examine Mr. Cooper about it, you can do so.

Mr. March:

I want to see it first.

Mr. Dougherty:

That is the one we sent down.

Trial Examiner:

Did you have some further questions, Mr. Dougherty?

Mr. Dougherty:

Yes, I do. I didn't know whether you wanted me to wait until after these men had completed.

Trial Examiner:

Go ahead.

By Mr. Dougherty:

Q. Mr. Blanks, when you mentioned the 62 percent figure as being that percentage of gas which you handle, that, as I understand it, is of the gas that originates in the Monroe Field, and does not take into consideration any gas that comes from Logansport or elsewhere in Louisiana and moves through the Monroe Field?

A. That is correct, the figures that I have given have been taken off of the department of Conservation Report on Gas Input for the lines during the year 1941, that is where the figures are obtained.

Q. Now, Mr. Blanks, I want you to describe, in connection with your dispatching operations, just the process by which your dispatching organization determines the quantity of gas that has to move through the main pipe line from Desiard and what quantities go to the

other points of delivery in the Monroe field? Where is your chief dispatching office for Interstate?

A. At Fowler or Desiard Compressing Station.

Q. Do you have an office building there in which the dispatching organization is?

A. That is correct.

Q. How many dispatchers are on duty at a time?

A. Only one.

Q. How does that man get information with respect to the quantity of gas that is needed for deliveries from the main pipe line on any particular day?

A. We maintain a dispatching office at Scotland, that is at Baton Rouge, and from these dispatchers we obtain information pertaining to the loads as they exist at the time, and any anticipated changes that might occur in load conditions. We received weather conditions. And all of this information obtained by these dispatchers at Baton Rouge is relayed to the dispatcher at Fowler.

Q. Does your dispatcher at Baton Rouge keep in touch with the industrial customers and other customers there?

A. Yes.

Q. As to their demands?

A. Yes.

Q. And does he keep in touch with the United Gas Pipe Line dispatcher in respect of the demands for New Orleans?

A. Yes. The United Gas has a dispatching office at the City gate of New Orleans, and each morning they requisition the amount of gas that they anticipate being used during the day in the City.

Q. Now at what time during the day does your dispatching office at Fowler get this information with respect to the demands on the main pipe line?

A. The first estimate of demands is made the first thing in the morning, around 8 to 9 o'clock.

Q. Does the dispatcher there at the Fowler office then compute what quantity of gas will have to be delivered into the Desiard Compressor Station that day, based on that information?

A. That is right.

Q. And what other process does he go through to get additional information as to other requirements that you have to serve?

A. Well, the United Gas, to whom we sell gas for the account of Memphis Natural Gas Company, informs us in the morning as to the load or the delivery to be made by Interstate. Also the dispatcher of the Southern Natural Gas Company informs our dispatcher of the amount of gas that is to be delivered by the producers, and of course this figure is taken and broken down as to the deliveries by each producer. The Mississippi River Fuel Corporation also calls in and notifies us as to the amount of gas they want delivered, and we in turn take that figure and break it down among the several producers in accordance with their contract percentages.

Q. Does your own dispatcher then make a computation as to the total quantity of gas which will have to be produced, plus that which Interstate is purchasing in the field, to meet these demands which you have mentioned?

A. That is correct.

Q. Then what does he do after he has assembled that information, that is, what does he do with respect to meeting those demands?

A. He figures how much gas he has on his gathering system, how much he has in his main line, and then proceeds to put additional gas on in the field to supply any increase, or take it off to take care of any decrease that might be occurring.

Q. Does he make a separate determination as to quantities for each of those customers, that is, the Mississippi,

the Southern and the Memphis line, and does he also make a separate determination as to the amount that has to go into the main line through the Desiard Station?

A. He determines how much the entire main line system is going to require, and how much gas is to be sold in the field.

Q. I want to call your attention to Exhibit 43, which is the dispatching diagram. Yesterday, in talking about Line F-33, you mentioned something as to it having been in existence prior to the acquisition by Interstate of this line T-9. Where did F-33 end at that time?

Mr. March:

At what time is that?

Mr. Dougherty:

Prior to the acquisition of Line T-9.

The Witness:

It ended at a junction on F-1, right opposite the point of delivery to the Southern Natural.

By Mr. Dougherty:

Q. Was there at that time any connection between F-33 and F-1?

Mr. March:

Could we fix the time a little more definite in the record? I apologize for interrupting.

Mr. Dougherty:

The record shows that that T-9 was acquired in 1936, so it would be prior to that time.

Trial Examiner:

Read the question, please.

(The pending question was read by the reporter.)

By Mr. Dougherty:

Q. I am referring to the time just preceding the acquisition of Line T-9, and will you, in connection with that, in connection with your answer, state the time when Line T-9 was acquired?

A. Yes, there was a connection between F-33 and F-1.

Q. And what was the time when T-9 was acquired?

A. I believe that I show that in my exhibit there, my testimony. I just want to make certain.

Trial Examiner:

The only reference I see to it is on page 155 of the transcript.

Mr. Dougherty:

It may be in the written statement of this witness, if the Examiner please.

Trial Examiner:

As I understand that testimony, you said it was about 6 years ago?

The Witness:

Yes. It was in the year 1936.

By Mr. Dougherty:

Q. Mr. Blanks, I think the papers which you are examining do show that some work of relaying or relocating a portion of that line took place in October and November, 1936?

A. That is correct.

Q. So that it would be prior to October, 1936, that the line was acquired by Interstate?

A. That is correct.

Q. Now when and in what manner was F-33 then tied into a connection with T-9?

A. There was a line shown as F-33-B laid from F-33 over to T-9.

Q. What length is that connecting line?

A. Approximately a quarter of a mile.

Q. Has there been any disconnection of the connection which did exist between F-33 and F-1 in 1936?

The Witness:
Repeat that question again, please?

(The question was read by the reporter.)

The Witness:
No.

By Mr. Dougherty:

Q. And can gas at the present time be put into F-1 from F-33, if desired?

A. It could be, yes.

Q. The pressure of gas in F-33 is higher, is it, than that in F-1?

A. That is correct.

Q. Was F-33 tied into some other portion of the field line system, and maybe it still is, but what I am thinking of primarily is prior to the acquisition of T-9? I think you said something about some F-30 yesterday, didn't you?

A. Well, F-30 is tied into it, that is, into F-33.

Q. Well, is that a connection whereby gas could move from F-33 into F-30?

A. Yes, it could.

Q. Or vice versa?

A. At this time the gas out of F-3 and F-51 could not, because the pressure in F-33 exceeds that pressure in F-3 and F-51.

Q. You mentioned F-3 and F-51. In what way are those lines connected with F-33?

A. Through a short line extending from F-30 over to F-33.

Q. Then does F-30 tie into F-3?

A. Yes, F-30 ties into F-3.

Q. That is, as I see it on the map here, you have F-3 and F-51 as running close together?

A. That is correct.

Q. Then there is a fairly long line marked F-30 which runs from both F-51 and F-3 in an easterly direction, or toward the right of the map, and has a connection with F-33?

A. Yes.

Q. Now as I understand your statement, at the present time the gas that might move through F-30 is lower pressure gas than that in F-33?

A. Yes.

Q. So that there could now only be a movement of gas from F-33 to these other lines?

A. That is correct.

Q. Have you in the past had to rearrange and change your field system to meet changing conditions, both of production and of demand of your markets?

A. Generally speaking, yes.

Q. As I recall it, you said that F-1, when first built, brought gas into Desiard?

A. That is correct.

Q. Whereas, now it takes gas in the other direction for delivery to Southern Natural and Mississippi River Fuel Corporation?

A. That is correct.

Trial Examiner:

What was the function of F-1 at the time F-33 was tied in directly with it?

The Witness:
At the time F-33 was tied into F-1, it was extended to the point near Wells 15 and 21, and that brought gas into F-1.

Trial Examiner:
And when the gas got into F-1, where did it go?

The Witness:
It came South through that particular line.

Trial Examiner:
That was before the movement started North in F-1, is that right?

The Witness:
That is correct.

By Mr. Dougherty
Q. With respect to those delivery points along F-1 at Cargas and the one near Guthrie, the first being from United Carbon and the next from Southern Carbon, are those still maintained so that if need arose deliveries of gas could be made into F-1 at those points?
A. That is correct.
Q. Whether gas will be delivered there will depend on the necessities of your operations in the future?
A. It will depend on their desire to make deliveries of gas to us.

Mr. Dougherty:
That is all.

Cross Examination (Resumed).

By Mr. March:

Q. There is only one question I have here, which is on F-30. As I gather from your testimony, no gas can feed from F-30 and F-30-A into F-33?

A. At the present time, no.

Q. Because of the pressures in F-33?

A. That is correct.

Q. Well, when was the last time any gas moved from F-33 over F-30-A and F-30 to F-3 and F-51?

A. It has been several years.

Q. It has been about 10 years ago, hasn't it?

A. No, I don't think it has been that long, probably 7 years ago. Just a moment and I will look that up.

The line F-54, which you will notice goes over to a dotted line showing Southern Carbon up near Well 21 and Well 15, that line was laid in 1937, so it was approximately 5 years ago that gas moved in that line.

Q. And here is another question, one final question. How does gas get into F-59 from F-206 or F-204 or F-103?

A. From F-204 there is a cross-over at the junction of F-59 and F-204. There is a cross-over just north of the river. The gas can enter F-59 out of F-3.

Q. Here is what I want to know—how does gas get from F-206 into F-59? Or does it?

A. It is not at the present time moving that way.

Q. It couldn't, could it?

A. Yes.

Q. Are the pressures higher or lower in F-59 than F-206?

A. The pressure in F-206 is higher than the pressure in F-59.

Mr. March:

That is all.

Direct Examination (Resumed).

By Mr. Dougherty:

Q. Mr. Blanks, when was the F-33 field line first constructed, that is, the first part of it?

A. January, 1930.

Q. And how far did it extend at that time?

A. 2.02—

Q. (Interposing.) Refer on the maps to the wells—

A. (Interposing.) Give me that question, please?

Q. What I want to know is, when F-33 was first constructed, how far up into the field did it go? For example, you show a river crossing against Bayou Bartholomew, I guess, or some stream. I want to know how far was its original construction?

A. It went just a little past the connection where F-30A tied into F-33.

Trial Examiner:

Well, it extended, then, from F-1 to the point you have just described?

The Witness:

That is correct, approximately 2 miles.

By Mr. Dougherty:

Now when was it extended beyond, to the areas which it now serves?

A. In October, 1936.

Q. And was it at that time extended to where it is shown on Exhibit 43?

A. That is correct, to the tie-in with Line F-103.

Q. And that was at the time that T-9 was put into operation as a part of the main line system?

A. That is correct.

Mr. Dougherty:
That is all I have.

Trial Examiner:
F-33, I believe you said, was a 16-inch line?

The Witness:
That is correct.

Trial Examiner:
And T-9 is a 16-inch line?

The Witness:
Yes.

Trial Examiner:
What is the approximate pressure on F-33?

The Witness:
It has a line drop, of course, from its connection with F-103 down to this point. The point at Perryville usually is 360 pounds, the terminal end of the line.

Trial Examiner:
What is the pressure on T-9 just below that point?

The Witness:
The same pressure.

Trial Examiner:
There is no change in pressure, then, when it moves from F-33 to T-9?

The Witness:
No.

Trial Examiner:
There is nothing done to the gas at all at that point?

The Witness:
Not a thing.

Trial Examiner:
And both lines are the same size?

The Witness:
That is correct.

Cross Examination (Resumed).

By Mr. March:

Q. Can you show me one sentence which you authored in this Exhibit 42 which are your own words just like you wrote it?

A. I helped develop quite a few of the sentences.

Q. I want to know any sentence in the whole Exhibit 42 which you wrote and you edited yourself, that you wrote in your own words and edited and that is your work?

A. To state that as a fact I would have to get the original notes that we wrote it from.

Q. You have got those working papers here, haven't you?

A. I sent them to Mr. Lange as I told you, Mr. March, and whether we have another copy here or not, I don't know.

Mr. Cooper:

I think the working papers are with Mr. Wilenzick. The original notes are in Monroe, the ones that Mr. Blanks worked on.

Mr. Lange:

His working papers were not sent with your letter, Mr. Dougherty?

Mr. Dougherty:

No. What was sent with my letters was what Mr. March asked me about, namely, the material that had been prepared by Mr. Cooper.

Mr. March:

I want to know if he actually wrote any of this?

Mr. Dougherty:

He told you he has.

Mr. March:

If he could tell me any sentence in the thing he actually wrote—

Mr. Dougherty (Interposing):

He told you he has to get the one which Mr. Cooper prepared, which was the basis for this final exhibit, and he would have to compare them before he could tell you that.

The Witness:

As I have said, Mr. Cooper did most of the writing. I dictated some of the sentences the way they should be put in there, so that they would be plain to the Examiner from the way I looked at it, the way I would be able to understand.

By Mr. March:

Q. Was there any difference between you and Mr. Cooper as to how this was to be composed?

A. Not particularly.

Q. Well, were there any differences?

A. Well, some of the expressions used in there by Mr. Cooper didn't bring out just exactly the thought.

Q. Isn't Mr. Cooper the author of every expression of "gathering lines" throughout every bit of this exhibit?

A. No, sir.

Q. Are you the author of any of it?

A. I refer to it as "gathering" all the time. If I should write about it, I would say that the gas is gathered from several points.

Q. Can you indicate a single reference there to gathering lines that Mr. Cooper didn't write?

Mr. Dougherty:

Mr. Examiner, I would like to object to further questioning until we can get the material by which the question can be answered with a saving of time.

Mr. March:

That is satisfactory to Commission counsel, if it pleases the Examiner.

Trial Examiner:

All right.

Does counsel for the Louisiana State Commission have any questions?

Mr. Frye:

Only one or two, Mr. Examiner.

Cross Examination.

By Mr. Frye:

Q. Did you say, Mr. Blanks, in the early part of your direct testimony yesterday, that you had had occasion in

recent months to materially reduce your purchases from certain producers in the Monroe Field?

A. Correct.

Q. Would you mind stating what producers those were?

A. United Carbon Company and Southern Carbon Company.

Q. Would you mind stating the occasion of why those purchases were reduced?

A. The matter of reducing purchases, and so forth, is left entirely to the management of the company.

Q. Well, you yourself don't know why those purchases were reduced from those particular companies?

A. Well, yes, in order that we might use some of our own production.

Q. Well, to the extent that those purchases were reduced from producers in the Monroe Field, were they supplanted by purchases from producers in other fields?

A. No.

Q. They were supplanted by your own production, is that right?

A. Exactly.

Q. And that production was in the Monroe Field?

A. Exactly.

Mr. Frye:

That is all I have.

Trial Examiner:

Counsel for the City of New Orleans?

Mr. Coleman:

No questions.

Trial Examiner:

Counsel for the City of Baton Rouge?

Cross Examination.

By Mr. Kizer:

Q. I would like to know whether or not, Mr. Blanks, you have the data available as to the amount of gas which the Interstate took last year from the University Field?

A. I could obtain it, yes. I might have it here somewhere. There was 4,811,901,000 cubic feet taken in the year 1941. That is shown in our Exhibit No. 38.

Q. Now at what point does the Interstate take that gas, where does it enter your line? Have you built a pipe line to the field?

A. We have built a pipe line system there in the field to the several producers from which we take gas, to their wells.

Q. Now what is the distance of transportation from the field to your main line?

A. You want to know the length of the line from the field to where we deliver the gas into the United Gas?

Q. Yes.

A. Is that right?

Q. Yes.

A. I don't have that exact distance here but it is approximately 10 miles.

Q. On the map you have there, does it show the, United line?

A. Not on this map, Exhibit 43, that I have before me. We do have a map that does show that line.

Q. Does all of the gas that you take from the University Field all go to the United, is it all delivered to the United?

A. No.

Q. What percentage of it is delivered to the United?

A. Approximately 80 percent.

Q. Well, where is the other 20 percent delivered?

A. It is delivered to the Gulf States Utilities Company.

Q. What do you pay for that gas in the field?

A. I will have to check that. It is shown in Exhibit 38 as 4 cents.

Q. How many booster stations do you have to take that gas through to deliver it to the Gulf States Utilities?

A. None.

Q. That 4 cents is based on what pressure?

A. It is based on 10 ounce plus 14.7 pounds per square inch.

Q. Now what does the Interstate get for that gas from the Gulf States Utilities?

A. That is included in the rate to the Gulf States Utilities with the rest of the gas that we deliver to them at the city gate on Shada Avenue, North Baton Rouge.

Q. In the sale of this gas, what is the pressure, I hardly know exactly how to term it because I don't quite understand it, but there is a differential in the pressure per square inch in the sale of the gas. Now what is it in the sale?

A. Our contract with the Gulf States is on 8 ounce plus 14.7 pounds per square inch.

Q. Now how much gas does the Gulf States Utilities purchase, how much did they purchase last year?

A. We purchase down in University Field an average of one million and a half per day over the entire year, which was sold to the Gulf States Utilities Company.

Mr. Dougherty:

Wasn't your question how much was sold to the Gulf States for Baton Rouge in total?

Mr. Kizer:

Yes.

Mr. Dougherty:
What he wants is not how much from University Field did you sell.

By Mr. Kizer:
Q. How much did Gulf States purchase from you last year for distribution in East Baton Rouge Parish?
A. 1,225,258,000.

Trial Examiner:
Does that figure appear in one of the exhibits already offered?

The Witness:
It appears in Exhibit No. 41.

Mr. Kizer:
Your Honor, I haven't been furnished with those exhibits. I will be, but I haven't as yet.

Trial Examiner:
I understand.

Mr. Kizer:
That is all.

Mr. March:
Mr. Examiner, I have now discovered the original letter of June 9, 1942, written to Mr. Lange by Mr. Dougherty from New York, transmitting a draft of Exhibit No. 42 which was written by Mr. H. C. Cooper in New York.

Mr. Dougherty:
That is C. W. Cooper. H. C. is the father of C. W. Cooper.

Mr. March:

I want to have that marked for identification here in the record so that the Examiner can see just exactly to what extent this exhibit was composed by the witness here. I suggest that it be marked for identification as Exhibit 42-A.

Trial Examiner:

Just what would be the significance of that?

Mr. March:

It would just show that Cooper composed practically all the exhibit in New York City himself. And he put in this gathering line situation all through here, just like a sailor singing a song with the same tune. This was written by a lawyer in New York City, and not by this witness. That is what I want to show by putting this in here, so that the Examiner can make the comparison himself before he rules on the exhibit.

Mr. Dougherty:

Of course, Mr. Blanks has said that he has collaborated and that all of the things that are there are his own. Also, I might say that Mr. Cooper was acting as an engineer when he prepared that, not as a lawyer. That is one of the days when he was an engineer.

Trial Examiner:

I don't think the Commission will be influenced very much by what Mr. Cooper or Mr. Blanks call these lines so far as that is concerned. They are going to determine what the nature of the line is by its function, and they will make their own determination as to whether it is a gathering line or a transmission line.

Mr. March:

We object to an exhibit going into evidence here with this reference in regard to gathering lines all through it. That reference being written by a lawyer, it is a legal argument. We are going to oppose admission of this exhibit into evidence unless every reference to gathering is deleted, because this witness has indicated, during his cross examination, that he doesn't know exactly what he means by gathering and it is a legal conclusion, and so we move to strike from the face of the exhibit all reference to gathering, and if it is so desired that can be referred to as field lines.

Mr. Dougherty:

Well, it is clear from both the direct examination and cross, that Mr. Blanks heard of the words "gathering line" and "gathering system" long before the Natural Gas Act was ever passed, and also that that was the sense in which he has just used it in this statement and in his testimony, that is, just as they use it in the operations, and I think it has no more significance than that, namely that as an operating problem that system of field lines is referred to as the gathering system of Interstate Natural Gas Company.

Now if that is something different than what the law calls a gathering line, the Commission is going to decide it. They are not bound by what we say, but there is no reason to avoid using a term that has been in the industry for years, and which Mr. Blanks uses, just because it happens to have, in addition to its operating significance, some legal significance.

Trial Examiner:

I think the cross examination has already developed that there is no connection between Mr. Blanks' use of the word "gathering", and the term as it is used in the

Natural Gas Act. He has used it simply as an operating expression, as I understand his testimony, and he actually hasn't made the distinction necessary to be made under the Natural Gas Act.

Mr. March:

As I understand his testimony, he doesn't know what he means by "gathering".

Trial Examiner:

That is just the point.

Mr. March:

And he has used it here in a repetitious manner, or Mr. Cooper has, for a purpose,—I don't know what the purpose is, but it is clear in the record that it has been used over and over again here for a purpose. It is confusing in the record, and we move that it be stricken from the exhibit, and that "field lines" be inserted in lieu thereof. We also want to have this marked for identification so we can have it in the record, if the other exhibit goes in, so we can see just exactly what Mr. Cooper composed and what this witness composed.

Trial Examiner:

If that has any particular significance, of course it is perfectly proper to bring it out, there is no question about that. On the other hand, I don't think that a particular witness can be required to use particular words or particular expressions in his testimony. The cross examination is intended to and will develop what he means by those words and what their significance is; and as I said before, the Commission itself will determine whether the line is a gathering line or not, and will not be influenced whatsoever by Mr. Blanks' use of that word or term.

The document will, of course, be marked for identification, and if counsel wishes to employ it further he may do so. The motion is denied.

(The document referred to was marked as Exhibit No. 42-A for identification.)

Trial Examiner:
Do you have any further questions?

Mr. March:
I would like to have Mr. Cooper identify this draft that he has made.

Trial Examiner:
Have you completed the examination of this witness?

Mr. March:
Yes.

Mr. Kizer:
May I ask just one other question, if we can revert back?

Trial Examiner
Go ahead.

By Mr. Kizer:
Q. At what point does the gas taken from University Field enter the Interstate line, is it South of Baton Rouge or North of Baton Rouge?
A. You are speaking of the United Gas line?
Q. Well, I understood you to say that 20 percent of the gas was delivered to the Interstate line and 80 percent was delivered to the United line?

A. You misunderstood me, or I stated it incorrectly. I meant that approximately 20 percent was delivered into the Gulf States, that is a little high after having looked at this figure. It would probably run 15 percent.

Q. Well, at what point does it enter the United line?

A. Down at what is known as Kleinpeter Station.

Mr. Dougherty:

Mr. Blanks, what counsel for Baton Rouge wants to know is whether or not any gas from the University Field goes into the Interstate's main line North of Baton Rouge?

The Witness:

No, it does not.

Mr. Dougherty:

Another thing he wants to know is,—the gas there that is delivered from the University Field to Baton Rouge, where is that delivered to the Gulf States Utilities?

The Witness:

That is in the South end of Baton Rouge, near the University Field on—I forget the name of the highway.

Mr. Dougherty:

I think that explains it—

The Witness (Interposing):

It is Highland Road.

Mr. Dougherty:

The portion of the gas that is sold for resale within the limits of Baton Rouge is delivered to Gulf States Utilities at a point South of the town, which is a different point than that at which the gas which moves from

Monroe is delivered to. It goes into their system at a different point.

Mr. Kizer:
That was what I wanted to know.

Mr. Frye:
May I ask one more question, Mr. Examiner?

Trial Examiner:
Go ahead.

Cross Examination (Resumed).

By Mr. Frye:

Q. The gas which you dispatch from the Monroe Field, could you tell us what percentage of that moves wholly within the State and what percentage crosses State lines?

A. All of it crosses the State line except that gas which is delivered from University Field.

Q. You mean to say that all of the gas that you dispatch out of the Monroe Field crosses the State lines?

A. Oh, no, I thought you meant the percentage that was sold to Baton Rouge. You mean all of the gas—

Q. (Interposing.) I mean of the total gas transported out of the Monroe Field by the Interstate Natural Gas main transmission line.

A. I would say 99 percent of it crosses a State line.

Q. And 1 percent is wholly within the State?

A. That is correct.

Mr. Frye:
That is all.

Mr. Kizer:

This amount of gas taken from University Field, as you say 85 percent of it goes to United. Is that transported by United to New Orleans?

The Witness:

It is transported by the United Gas for industrial customers that we have down between Baton Rouge and Destrehan, Louisiana, and what those customers do not use is transported on in to New Orleans.

Trial Examiner:

That is all, Mr. Blanks.

(Witness excused.)

Trial Examiner:

I believe counsel for the Federal Power Commission wanted to get Mr. Cooper to identify this document that has been marked Exhibit 42-A for identification. I suppose we might do that now.

* * * * * *

Cross Examination.

By Mr. March:

Q. Mr. Lerch, are you familiar with the organization of Interstate Natural Gas Company?

A. Yes, sir.

Q. Did you participate actively in the organization of Interstate Natural Gas Company?

A. Yes.

Q. Who were you representing at that time?

A. Ford, Bacon & Davis as managers of the property.

Q. You were an employee at that time of Ford, Bacon & Davis, Inc.?

A. That is right.

Q. Were you an officer of the company?

A. At that particular time I was not; I was later a stockholder of the company but I was never an officer of Ford, Bacon & Davis.

Q. Under whose direction and supervision were you working at the time?

A. Mr. von Phul's.

Q. Was that William von Phul whom we discussed a few minutes ago?

A. The same man.

Q. By whom was Ford, Bacon & Davis employed in regard to the organization of Interstate Natural Gas Company?

A. They were employed at first, according to a stipulation that is in the record here, by the Standard Oil Company (N. J.) under a contract calling for the establishment of the entire project.

Q. Did you have personal charge of getting the gas rights together for which Ford, Bacon & Davis was responsible, according to the agreement of October 9, 1925?

A. No, that was under the immediate direction of Mr. Hill.

Q. Edgar Hill?

A. Edgar G. Hill.

Q. He is an official of Ford, Bacon & Davis, Inc.?

A. I believe he is now a vice president of Ford, Bacon & Davis, and I think president of Ford, Bacon & Davis Construction Corporation.

Q. Did you work with him?

A. Yes, sir.

Q. Did you work as his assistant?

A. That is right.

Q. Then you are familiar with the complete negotiations and the execution of the agreement between Standard Oil and Ford, Bacon & Davis of October 9, 1925?

A. I am familiar with that to the extent that everything that has happened since that date has come to my attention or under my attention. As a matter of fact that contract was worked out by—and I am giving you recollection or backhand knowledge now—was worked out by Mr. von Phul and Mr. Bacon, with the Standard Oil Company. That is Mr. Bacon of the firm name. And it was then turned over to Mr. Hill under their general direction to begin the carrying out of the stipulation and the requirements of the contract.

Q. As I gather from your direct testimony, this whole project was gotten together for the purpose—primarily for the purpose—of serving the Standard Oil Company's refinery in Baton Rouge?

A. That is right.

Q. And it was for that purpose that the transmission line was constructed?

A. That is right.

Q. At the time these properties were gotten together and the line constructed, was there any contemplation that domestic markets would be served, that the general public would be served?

A. Well, I would say that since the project was worked out by men interested in the natural gas business, and talking to men on the part of Standard who looked after Standard's not inconsiderable natural gas business, that it would be reasonable to assume that they did think of the possibilities of additional markets if the refinery made it possible to carry the base load of the line.

Q. Do you know, Mr. Lerch?

A. Well, of course nobody knows, Mr. March, and I can only tell you what the circumstances clearly indicate to me, that they did contemplate selling the full capacity of that line if the refinery did not take it.

Q. In other words, the refinery was to have the preference on any gas?

A. Yes. As a matter of fact the figures in the stipulation showing how much they anticipated selling to the refinery, and the initial capacity of the plant as designed, indicate that there would be very little for sale to anybody else. I think the stipulation shows that the refinery was to take 60,000,000 feet, or perhaps 65,000,000 feet per day; I just don't recall the figures but the exhibit will show; and in addition to that the plant itself was designed to carry somewhere between 75 and 80 million, we call it actually 77 million. Now the peak loads at the refinery might easily have so exceeded 65,000,000 that there would have been no element of safety in attempting to sell gas to anyone else. That is the picture as it stood when the project was conceived.

Q. Did Standard Oil organize Interstate Natural Gas Company?

A. I suppose you would say that they did. Really I don't know who the incorporators of the company were. I suppose they were some lawyers or incorporators, but it was done of course at the direction of Standard Oil Company.

Q. Standard Oil Company has had continuous control over the Interstate Natural Gas Company since its incorporation, is that correct?

A. They have always had a majority control of the stock.

Q. In other words, here this whole project was conceived and put into operation by Standard Oil primarily for the purpose of serving their refinery at Baton Rouge?

A. That is right.

Q. Mr. Lerch, when did you become an official of Interstate Natural Gas Company?

A. Sometime in December, 1933, I was elected a director and vice president.

Q. Prior to that time had you been taken from the payroll or removed from the payroll of Ford, Bacon & Davis, Inc. and employed by Interstate Natural Gas as an employee?

A. I left Ford, Bacon & Davis as of December 1, 1933, and became an employee then of the Standard Oil Company.

Q. In other words you were employed directly by the Standard Oil Company?

A. Yes.

Q. Are you still so employed?

A. No, I am employed by Gas Companies, Inc.

Q. Which is a wholly owned subsidiary of Standard Oil?

A. Indirectly; it is owned by three wholly owned subsidiaries of Standard Oil.

Q. When did William von Phul become a director of Interstate Natural Gas Company?

A. Upon its first organization he was elected a director and president, and remained president and a director —he is still a director—and he remained president until I succeeded him in May, 1935, I believe it was, sometime early in 1935.

Q. At what date did the management agreement which Ford, Bacon & Davis had with Interstate Natural Gas Company, expire?

A. Coincident with my becoming president, early in 1935.

Q. And were a good many members of the staff of Ford, Bacon & Davis taken over by Interstate Natural Gas Company?

A. None at all.

Q. You were the only one—

Mr. Dougherty (Interposing):

Mr. Lerch, I don't know whether Mr. March is referring to the first instance in 1926 when there were of course some people that came over—

The Witness (Interposing):

I was assuming, following him chronologically, that he was talking about 1935.

By Mr. March:

Q. In 1933 when you became an officer?

A. No, in 1933 there was nobody.

Mr. Dougherty:

I wanted that to be clear because in 1926 there were some men who formerly worked for Ford, Bacon & Davis that did go to the Interstate Natural Gas Company's employ.

The Witness:

I might state this, in order to clear it up, that at the end of the construction period, when Interstate's organization came into active being, which was the beginning of 1927, the organization was made up of such employees as were necessary from the construction organization, who had been paid or employed, you might say, by Ford, Bacon & Davis as agent. The company itself was not initially incorporated because everything proceeded under this stipulation.

By Mr. March:

Q. Whom does William von Phul represent on the Board of Directors of Interstate Natural Gas Company?

A. He represents no particular interest, just his knowledge of the company and his very excellent services from the point of advice and so forth; and Mr. von Phul, incidentally, is an old New Orleans man, I am sure there are many people here that know him. He graduated from Tulane before they gave out degrees and recently I believe was given his degree and a doctorate, the first engineering doctorate that Tulane gave.

Q. In other words, he was sort of local color—

A. (Interposing): No indeed, if you knew him you would not say that.

Mr. Dougherty:

He is very colorful, but not local.

Mr. March:

I didn't ask about his connection with New Orleans.

By Mr. March:

Q. Does William von Phul sit on the Board of Directors at the meetings of Interstate's board, when you make all these contracts with Ford, Bacon & Davis, Inc.?

Mr. Dougherty:

May I inquire what contracts counsel is referring to?

Mr. March:

Any contracts made during the time he has been on the board of Interstate Natural?

The Witness:

He has always been on the board and I am sure has been on the board when every contract of the company was made, regardless of whether they were with Ford, Bacon & Davis, or anyone else.

Mr. March:

In other words, he was on the board when a great many of these construction contracts were negotiated, is that right?

Mr. Dougherty:

For the sake of accuracy, if the Examiner please, if Mr. March is referring to the initial contract that was

with Standard Oil Company, not with Interstate Natural Gas Company. I don't know to what contract he is referring. We are getting a lot of loose talk here in the record, and if there are contracts, let's have them specified.

Mr. March:

That is satisfactory, Mr. Examiner, I don't care to ask any more questions along that line.

By Mr. March:

Q. Now you and von Phul sit on another board of directors together, don't you?

A. No.

Q. You don't?

A. No.

Q. Don't you sit on the board of directors of the Mississippi River Fuel Corporation?

A. I do; he doesn't.

Q. Does he sit on the board of directors of Southern Natural Gas Company?

A. I am so informed, but I don't know.

Mr. Dougherty:

Be very careful, Mr. Lerch; if you don't know you had better say you don't know because Mr. March will object to your assumption—

Mr. March (Interposing):

I am not objecting to a thing he is saying here.

By Mr. March:

Q. Does Southern Natural have a large contract, wholesale contract, with Interstate Natural?

A. It does.

Q. Was William von Phul sitting on both boards of directors when that contract was negotiated?

A. Well, that contract was negotiated at the time or prior to the time the Southern Natural was started, that is even before the present Southern Natural company came into existence, and before the initial one, and to follow my lawyer's instructions I will have to say I don't know whether he was a director at that time, but I have every reason to think he was not a director of Southern Natural at that time.

Q. What do you mean by the statement that you have every reason to think he was not a director; have you any reason at all to think he wasn't?

Mr. Dougherty:

Just say you don't know, and that will end the argument.

The Witness:

All right; on advice of my counsel I will have to say that I don't know.

By Mr. March:

Q. When was the last contract entered into between Interstate Natural and Southern Natural?

A. Well, there was an amendment made to their contract about a year ago I guess it was, completed about a year ago, which is on file with the Federal Power Commission.

Q. Von Phul was sitting on the board of directors of both companies when that contract was negotiated, wasn't he?

A. He was a director of Interstate when that was done.

Q. Was he a director of Southern Natural?

A. I don't know.

Q. You people of Interstate Natural do not concern yourselves as to whether or not one of your fellow members on the board of directors is serving on the board of directors of the company you are contracting with?

A. No, I don't concern myself with it; I don't know if anyone else does.

Q. What would you do if you were sitting on boards of directors of two companies which contracted with each other; which company would you represent?

Mr. Dougherty:

I object. I don't know what pertinency it has to get Mr. Lerch's opinion as to what he would do if something were so which is not so.

Mr. March:

Then I will ask him something which is more nearly in point; something that is so.

By Mr. March:

Q. Mr. Lerch, you are a member of the board of directors of Mississippi River Fuel Corporation?

A. I am.

Q. Are you also vice president of the company?

A. President.

Q. You are president of both Mississippi River Fuel and Interstate Natural?

A. Yes.

Q. Now have those two companies had any contracts with each other negotiated recently?

A. No, I think not.

Q. Have they ever had any contracts negotiated while you have been president of both companies?

A. I would say no, that they have not.

Q. When was the original contract negotiated between Mississippi River Fuel and Interstate Natural?

A. About 1929 or 1930, along there somewhere; it is on file here.

Q. When was the last contract negotiated?

A. I think that is the only one; there have been no new contracts.

Mr. Dougherty:

I may be able to refresh his recollection on that, Mr. March. You will recall, Mr. Lerch, in 1937 when Mississippi borrowed money from four insurance companies, that the gas purchase contracts were extended to 1952 in order to coincide with the maturity date of the bonds. That was a modification. Do you have that recollection?

The Witness:

I do now, I beg your pardon. I was thinking of brand new contracts, not arising from any amendment or extension of the old contract. What Mr. Dougherty has said is true. We did extend the contracts and the filed documents will show—

By Mr. March:

Q. (Interposing): When President Lerch deals with President Lerch, who does President Lerch represent; does he represent Mississippi Fuel or Interstate Natural?

A. Well, I will tell you. I am the executive officer of the Mississippi River Fuel Corporation and the recommendations for Mississippi are referred to the board of directors, and all of the actions are subject to their approval, in practically every instance, subject to their approval before executive action is taken.

Q. Who is chairman of the board of directors of Mississippi River Fuel?

A. There is no chairman.

Q. Who presides at the meetings?

A. I preside.

Q. How long have you been president and a director of Mississippi River Fuel Corporation?

Mr. Dougherty:
Could I make—

Mr. March (Interposing):
Just one second until I get this question answered.

Mr. Dougherty:
I am sorry.

The Witness:
It is somewhere in the record. I think it was either 1934 or 1936.

Mr. Cooper:
It was February, 1939.

Mr. Dougherty:
That was after Mr. H. C. Cooper retired.

The Witness:
Yes; I was an officer prior to that.

Mr. Dougherty:
Vice president.

By Mr. March:
Q. Who did Mr. Cooper represent on the board?
A. Standard Oil.
Q. Are you representing Standard Oil Company?
A. Yes.
Q. Are you also representing—
A. (Interposing): That is I am designated as their director on the board.
Q. Are you designated likewise on Interstate by Standard Oil?

A. Standard Oil, since they have control of that company and permit me to be the executive officer, I suppose it could be said that I was designated by them.

Q. Can you give the stockholders of Mississippi River Fuel, the largest stockholders, giving the percentages of stock held, approximately?

A. The United Gas Corporation owns approximately 47 per cent; the Standard Oil Company (N. J.) owns 22.5 per cent; the Columbian Carbon Company owns about 17 percent; and the United Carbon Company owns 13 percent; There are some fifty odd individual stockholders who own around three or four thousand shares out of the total capital stock.

Q. Can you name the members of the Board of Directors of Mississippi River Fuel Corporation, and who they represent on the Board?

A. The present Board consists of Mr. Reid L. Carr, representing the Columbian Carbon; Mr. Oscar Nelson, representing the United Carbon; Mr. Stuart Hall and Mr. Paul R. Scott, representing the United Gas Corporation; I represent the Jersey Corporation, the Standard Oil Company (N. J.), and Mr. Dougherty is a member of the board technically not representing any one, I would say.

Mr. Dougherty:

I would say that I represent all the stockholders.

Mr. March:

I think you would state that, but I want this witness to state the facts.

Mr. Dougherty:

Of course when Mr. Lerch uses the word "represent" he means designated by.

The Witness:

Of course the agreement at the beginning of the Mississippi River Fuel Corporation's existence, stated that the stockholders, of whom there were then no individuals, would designate so many directors.

By Mr. March:

Q. Mr. William A. Dougherty here is an employee of the same company you are, isn't he?

A. No, he is an employee of the Standard Oil Company of New Jersey.

Q. Isn't he paid by Gas Companies, Inc.?

A. He is paid by the Standard Oil Company of New Jersey.

Q. Is that controlled by the Standard Oil Company (N. J.)?

A. It is owned 100 per cent by the Standard Oil Company (N. J.).

Mr. Dougherty:

You see I am just good company on the board, that is all.

Mr. March:

Well, you are on the board; I won't concede the other.

By Mr. March:

Q. Is the United Gas Corporation which you spoke of a few minutes ago, which controls Union Producing Company, is that the producing company in the Monroe Field?

A. It is the company that owns and controls the United Gas Pipe Line Company. Now whether they own Union Producing or whether United Gas Pipe Line Company owns Union Producing, I don't know.

Q. You sell gas, I believe, to Memphis Natural Gas Company?

A. We sell it to the United Gas Pipe Line and deliver it at the Memphis station for the use of the Memphis Natural.

Q. You have your contract with Memphis Natural, and deliver it to United?

A. No, our contract is with the United Gas Pipe Line Company who have the original contract with the Memphis Natural, and they partitioned their contract without making a new one, with other producers in the field.

Q. Do you purchase gas from Hope Producing Company?

A. Interstate does, yes.

Q. Is Hope Producing Company affiliated with Interstate?

A. It is owned 100 per cent by the Standard Oil Company (N. J.)

Q. Which is the same company which—

A. (Interposing): Which owns practically 54 percent of Interstate.

Q. Is there any other company in the field which produces and sells gas to you, which is in any way affiliated with Interstate Natural or the companies controlling Interstate Natural?

A. Well, I will have to review the companies from whom we buy gas. The only one that would fall into that category at all would be a circumstance of this kind. We buy gas from the Southern Carbon Company, which is a subsidiary of the Columbian Carbon Company, and the Columbian Carbon Company has now, and has always had, a stock interest in Interstate Natural Gas Company. Otherwise there is no supplier of gas in the field in whom I am sure Standard Oil Company (N. J.) or Interstate, has any interest, to my knowledge.

Q. Either direct or indirect?

A. Yes.

Q. For the record will you complete the stockholders of Interstate Natural?

A. There are 900 odd.

Q. I mean the largest stockholders, I don't mean the small ones, the four or five largest stockholders.

A. I am not Mr. Addison Simms.

Mr. Dougherty:

I think if you get the accounting exhibit of the Commission it has a list in there, Mr. March. I don't think we have that ourselves, but if you could take that accounting exhibit which the Commission will put in, you could read the names off.

By Mr. March:

Q. Read that into the record, then, and I will ask if it is correct to the best of your knowledge and belief?

A. I have here a statement furnished me by Commission counsel entitled "A Corporate and Financial History of Interstate Natural Gas Company, Inc.", which incidentally I understand is to be put in as an exhibit by the Commission. On page 8 of that statement the following tabulation appears under the heading of Stockholders and Holdings. The information is headed, "Stockholder of Record", and the next two columns, "August 31, 1926" and sub-column "Number of Shares"—

Q. (Interposing): Just give the percentages in the last column.

A. Wait a minute. (Continuing) —and "Percentage of Total." The next column is headed "August 16, 1941", sub-column, "Number of Shares", and second sub-column, "Number of Total". There is no particular reason to give the first two columns.

Q. Just the percentages.

A. The number of shares as of August 16, 1941, owned by:

	Shares	%
Standard Oil Company (N. J.)	514,266	53.97
Rockefeller Foundation	33,763	3.54
Rockefeller Institute of Medical Research	40,000	4.20
Columbian Carbon Company	148,957	15.53
Frost Lumber Industries, Inc.	70,000	7.35
American Republic Corporation	42,920	4.50
Other Stockholders (928)	103,407	10.81
The total outstanding stock	952,953	100.00

Q. Is that true and correct to the best of your knowledge and belief?

A. It is.

Q. Now Mr. Lerch, we have mentioned here the Mississippi River Fuel and the Southern Natural. Is there any other means by which Southern Natural is affiliated with Interstate Natural other than through William von Phul?

A. The only thing I am hesitating on is to try to answer the form of the question, and I don't believe I can answer it.

Q. All right, I will restate the question.

A. Make it two questions and I can answer it.

Q. Is William von Phul the only connecting link between Southern Natural and Interstate Natural?

A. He may not, so far as I know, even be a link between the two.

Q. You don't know whether he is a director of both companies or not?

A. That is right.

Q. You really don't know whether he is a director of Southern Natural?

A. No, I really do not know. I have assumed for a long time that he is a director, but of my own knowledge I do not know.

Q. Mr. Lerch, do you know of any affiliation between Interstate Natural and Southern Natural?

A. None, other than the contract between us to sell gas to Southern Natural.

Q. That wouldn't be an affiliation, would it?

A. Well, perhaps I was not paying attention to the word you used. I am sorry. There is no affiliation that I know of between those two, and I believe I am in a position to know that there is no affiliation.

Q. Do you know whether or not there is any affiliation between Standard Oil (N. J.) or Standard Oil of New Jersey, and Southern Natural, or any companies controlling Southern Natural?

A. Let's take the first one first.

Q. All right—Southern Natural and Standard Oil (N. J.) or Standard Oil of New Jersey?

A. There is no such affiliation. I base that statement upon investigations that have been made for various purposes of stockholders' lists of Standard Oil Company of New Jersey, made at our request by the Secretary of that company, and in no instance have they ever reported the ownership of stock by the Southern Natural. That is my information at this moment. It has not been definitely investigated for that very purpose.

Q. Standard Oil tried to find out whether they owned any stock in Southern Natural?

A. No, for other purposes we got the principal stockholders of New Jersey, not for any case of this kind, but for other business that I have in New York, and in that investigation the Southern Natural's name has never appeared as a stockholder of Jersey.

Q. I am talking about Jersey's stockholdings in Southern Natural.

A. Jersey is not a stockholder in Southern Natural at all.

Q. Did you know that Ford, Bacon & Davis was a stockholder in Southern Natural?

A. I knew at the time of the receivership discharge of the then Southern Natural Gas Company, and the formation of the new company, Ford, Bacon & Davis, along with many other contractors and vendors, had, after a great deal of negotiation, secured some stock of Southern Natural, and I heard Mr. Rhodes testify that Ford, Bacon & Davis still owned stock of Southern Natural.

Q. Has there been any property constructed for Interstate Natural which has been constructed by others than Ford, Bacon & Davis or by subcontractors employed by Ford, Bacon & Davis?

A. Oh yes, since the termination of the management contract Interstate has been contracting its work. Its wells of course have always been drilled by other contractors than Ford, Bacon & Davis, and several of its loop lines have been laid since that time by other contractors.

Q. Has most of the work been done by Ford, Bacon & Davis, Inc.?

A. Up to what time do you mean?

Q. Up to and including now.

A. Well, I suppose since—

Q. (Interposing): Exclusive of the original construction of the line by Ford, Bacon & Davis.

A. The main loops that were carried on early in the 1930's were carried on by Ford, Bacon & Davis, and they were still operating under their management and engineering contract. The only loops that have been laid since 1935, I think, have all been laid by contractors other than Ford, Bacon & Davis.

Q. Did Ford, Bacon & Davis construct the Mississippi River Fuel Line?

A. They were contractors for that line and in charge of the subcontractors who did the work.

Q. They enjoyed a similar relationship to Mississippi Fuel, Mississippi River Fuel, as they enjoyed with regard to Interstate Natural?

A. In so far as construction of the property, but not in so far as any management contract was concerned.

Q. Well, has most of the construction work since the original construction of the Mississippi River Fuel line been done by Ford, Bacon & Davis, Inc.?

A. They have done very little except build compressing stations, and they have done those themselves, through their own organization—

Mr. Dougherty (Interposing):

You mean through the Mississippi River Fuel Company itself?

The Witness:

Through the Mississippi Company's organization. And they recently laid a four mile loop in Northern Louisiana and Southern Arkansas which was let through a contractor, I have forgotten the name, but it is not my recollection that it was Ford, Bacon & Davis; it might have been but I am not sure about that. They had to re-lay some lines on account of the construction of a conservancy district in Arkansas, and my recollection is that Ford, Bacon & Davis bid on that and were awarded the job. Otherwise they have done very little work that they haven't done with their own organization.

Q. Do Mississippi River Fuel and Interstate Natural Gas Company operate substantially a single business enterprise so far as physical operations are concerned?

A. No, sir.

Q. In what respect are they not operated as a single enterprise in so far as the physical operations of those two companies are concerned?

A. Mississippi River Fuel owns its metering stations and all property to receive its own gas, compress its own gas, and carry it on up into Arkansas, Missouri and Illinois. It has its contracts with several producers, of which Interstate is only one. It has a vice president and general manager who carries on its affairs entirely in St. Louis, through the St. Louis office, and it has no connection with Interstate other than the arrangement for the dispatching of gas through its line from the producers.

Q. As a matter of fact doesn't Interstate's dispatcher dispatch all the gas for the Mississippi River Fuel?

A. They don't dispatch the gas other than to get it from the producers to Mississippi River Fuel's intakes, and at that point Mississippi's own organization takes it and handles it entirely.

Q. Yes, but your dispatches there, Interstate's dispatcher, I should say, has complete charge of the movement of gas from the wells in the field to the markets of the Mississippi River Fuel, doesn't he?

A. No. They have their own dispatching organization that works entirely out of their St. Louis office and out of Merrimac Station, which is one of the principal points on their main line just south of St. Louis, at which point they control most of their requirements; and they have in the field, in the Monroe Field, their own dispatching office.

Q. What gas they dispatch, though, is dependent upon what gas your dispatcher gives them?

A. No, it depends entirely upon what their St. Louis and Merrimac office asks that office to get from the producers. As a matter of fact you might say that their dispatching arrangement in the field, which came into being when these various pipelines were installed, was done to save confusion in the field itself and among the producers, all of whom had quotas to meet, and there were variations in those quotas due to at least two places where

each one was supplying gas, and it later became three places; and at the time there were earlier contracts there were five places at which gas had to be delivered; and in order that there might be a central point where all this information could be gathered, and so that the producers would all know where they stood in total, this dispatching organization was worked out.

Q. What are the names of the companies which are members of this dispatching pool?

A. The producing groups are Interstate, Hope, the United Gas Pipe Line, Southern Carbon and United Carbon. The pipeline group is Mississippi and Southern Natural. I am leaving the Interstate out of that entirely because the dispatching organization's duty is to dispatch this gas on Interstate all the way through to the sales, but that is not the case in so far as either Southern Natural or Mississippi River Fuel are concerned.

Q. What about Union Producing?

A. Well, the Union Producing we always deal with as United Gas Pipe Line.

Q. Are there any other companies other than Mississippi River Fuel which you run in partnership with United Gas Pipe Line Company?

A. Any other companies, you say?

Q. Yes.

A. No.

Q. Do you and United Gas Pipe Line, do Interstate and United Gas Pipe Line, closely coordinate your operations?

A. To the extent that we work for the United Gas in transportation, and work with them in the service of gas from Southern Louisiana to New Orleans, we do. Our other operations in the field are entirely and completely independent of anyone.

Q. Have you any division of market agreements with United Gas Pipe Line?

A. No.

Q. Have you any agreements with them—

A. (Interposing): Wait a minute. I say no, but we have a transportation agreement which is based upon a rcentage of what they get for the gas in a certain market. I don't know whether you had that in mind.

Q. Do you have any arrangements whereby they stay out of your market and you stay out of their market?

A. No, sir.

Q. Either implied or written?

A. No, sir.

Q. I would like to get a list of the companies which supply Mississippi River Fuel with gas?

A. Well, the Interstate Natural Gas Company-Hope Producing Company, that is one contract; the Southern Carbon Company; the United Gas Pipe Line Company; and the United Carbon Company.

Q. Now Mr. Lerch, who pays your salary as president of Mississippi River Fuel?

A. I am a very unfortunate president; I get no salary.

Q. You just kind of do it—

A. (Interposing): I do it gratis.

Q. What about the case of the Interstate Natural?

A. I am again equally unfortunate; it is an empty honor, I do not get a salary.

Q. You are just a paid employee of Sta dard Oil?

A. No, of Gas Companies, Inc.

Q. Which is a subsidiary of Standard Oil?

A. Indirectly, yes.

Q. Well, let's see how indirectly it is; who are the companies that control Gas Companies, Inc.?

A. Three 100 per cent owned subsidiaries of Standard Oil (N. J.), as I testified before.

Q. Do you serve as president of all of the Standard Oil controlled gas companies?

A. No, sir.

Q. What other gas companies controlled by Standard Oil do you serve as president?

Mr. Dougherty:

May I inquire, when you use the word "control", Mr. March, do you mean the companies in which they own more than 50 per cent of the stock?

Mr. March:

No, I am not talking about that.

Mr. Dougherty:

Then I object to the question unless there is some elucidation as to what is meant by "control".

Mr. March:

I think this witness is capable of saying—control is not limited certainly to the ownership of 51 percent of the stock.

Mr. Dougherty:

If your question is—of what other companies is he president, which the Standard Oil (N. J.) controls, as he interprets "control", I have no objection to the question.

Trial Examiner:

It would be subject to his interpretation.

Mr. March:

I expected that all the time.

The Witness:

I am also President of the Colorado Interstate Company in which Standard (N. J.) has a 42.5 per cent common stock interest, the common stock being the only voting stock in that company.

I am also president of the Hope Producing Company of which Standard Oil (N. J.) owns 100 per cent.

I am also President of the McKamie Gas Cleaning Company in which the Standard Oil (N. J.) owns 50 per cent, plus one share.

I think that is all of the companies in that category.

By Mr. March:

Q. Is it your position, Mr. Lerch, to coordinate the holdings of Standard Oil in these various gas companies?

A. It is my position to work with all of the Standard Oil gas companies and to be of assistance in every way I can in the operation of those companies, particularly in matters of policy, financial matters, and in the general coordination of knowledge, you might say, between the respective managements of the several companies owned by Standard Oil (N. J.).

Q. You are, so to speak, the key man of Standard Oil's gas organization so far as those companies are concerned?

A. I think that is correct.

Q. Now Hope Producing Company—you are president of that company?

A. Yes, sir.

Q. When was Hope Producing Company's sales contract negotiated with Interstate Natural?

A. Sometime around 1931 or 1932, something like that.

Q. Have they entered into any contracts since then, since you have been president of those two companies, relative to or affecting the gas sales contract by Hope Producing Company to Interstate Natural?

A. I will say no from my recollection; I don't recall any such case.

Q. Was there any affiliation between Hope Producing Company and Interstate Natural when the original sales contract was entered into in 1931?

A. None except the one that exists at the present time, that of stock ownership by the Standard Oil (N. J.).

Q. Except that they were controlled by the same company?

A. That is right.

Q. Do you have an outside service organization in your operation of the Mississippi River Fuel?

A. No.

Q. Does Gas Companies, Inc. have anything to do, either directly or indirectly, either in an advisory capacity or otherwise, with regard to the operation of Mississippi River Fuel Corporation?

A. Yes.

Q. Will you explain that please?

A. Well, as the president and executive officer of Mississippi River Fuel, and because an employee of Gas Companies, Inc. is also treasurer and another one assistant secretary, and the fact that the main control ledgers or books of the Mississippi River Fuel Company are kept in our New York office, that is the office of Gas Companies, Inc., we do look after the services, financial, budget and such kindred matters, of Mississippi River Fuel, through Gas Companies, Inc.

Q. In substantially the same manner that Gas Companies, Inc. operates in regard to Interstate Natural, the relationship is just the same between the Mississippi River Fuel and Interstate Natural?

A. Yes, and all the other companies—

Q. (Interposing): And Gas Companies, Inc.?

A. And Gas Companies, Inc., yes.

Q. Who is president of Gas Companies, Inc.?

A. I am.

Mr. Dougherty:

He gets paid for that, Mr. March.

By Mr. March:

Q. Do you get paid for that?

A. Yes, I do get paid for that.

Trial Examiner:

We will take a recess for five minutes.

(Whereupon a five minute recess was taken, after which the hearing was resumed.)

By Mr. March:

Q. Mr. Lerch, I want to ask you a question or two about your Exhibit No. 3, and also Exhibit No. 6.

On Exhibit No. 6, I refer you to line F-33. Is F-33 a transmission line?

A. No, sir.

Q. Did you testify in Federal Power Commission Docket No. G-146 in regard to Interstate Natural Gas Company's proceedings.

A. I did testify in such proceedings. I will accept your statement as to the number.

Q. I have here an official transcript of the record in those proceedings, dated January 24, 1940, at page 93, where your testimony appears, and I would like you to read your answer on page 93 into the record?

A. Which answer do you mean?

Q. Beginning at the bottom of the page. You might read the question and the answer into the record.

A. I would like to read it myself first.

Q. All right, you can study it.

A. I don't want to study it.

The question that Commission counsel asks me to read from this previous record is:

"Q. You mean, then, that all of the wells shown on Sheets 9, 10, 7, and 8, feed into these lines F-3 and F-115?

"A. No, not all of them. Some of that gas goes into the line marked F-33 extension which connects there at Perryville with T-9, that is north and east of the lines you are speaking about. That is where we marked the X yesterday. Now some gas goes into that line, which

is a transmission line and not a field line, not a gathering line. F-33 extension was originally laid as a gathering line, but it has become, through its direct connection into T-9, a transmission line and carries gas, rather it has become a loop of our main line system and some of the gas, as much as 40 million feet a day, will go down through that line directly into our main line transmission."

Q. Now on the previous day at page 59 of the transcript, will you read Mr. Lange's question to you and the answer?

A. This is the same hearing docket?

Q. G-146.

A. (Reading): "Mr. Lange (Interposing): Mr. Examiner, I think in order that there may be no confusion, that an X-1 mark be placed at the point on Section 30 the witness had reference to.

"The Witness: I think if you just make it in Section 30, Township 21 North, Range 4 East, then you will have it fixed for all time."

Q. Now, Mr. Lerch, will you locate on your Exhibit No. 6 the point on F-33 designated as Section 30, Township 21 North, Range 4 East?

A. Yes, I find it.

Q. Will you describe that specifically in regard to F-33, that point?

A. That is the point at which F-33 extension begins.

Q. Joins with what?

A. It joins a line running generally east and west, known as F-103, and runs from that point parallel to Line F-108 for some distance southeast.

Q. Well, that is not Section 30, is it?

A. This is Section 30. (Indicating.)

Q. Did you describe that?

A. I just described this junction point.

Q. All right, sir.

Mr. March:

That is all.

Trial Examiner:

Is there any re-direct examination?

Re-Direct Examination.

By Mr. Dougherty:

Q. Mr. Lerch, you referred to a line F-33 extension. Where does that F-33 extension join in with what might be shown on the map as F-33?

A. Well, it joins in with F-33 somewhere in the southeast corner of Section 15, Township 20 North, Range 4 East.

Q. And from that last point which you have just designated in Section 15, up to the point you previously mentioned in Section 30, that particular line is shown on this map, Exhibit 6, as F-33 extension?

A. That is correct.

Q. Mr. Lerch, a question has been asked you with respect to the contract which Interstate Natural Gas Company has with Southern Natural Gas Corporation. Referring now to the amendment to that contract which you said was completed about a year ago, do you recall the negotiations which led up to the execution of that present contract?

A. I do, yes.

Q. With whom did you carry on those negotiations?

A. I carried them on with Mr. McHenry, who was Vice President of Southern Natural, and with their attorney, Mr. Pearson, of a New York law firm representing Southern Natural; and also with Mr. Chris Chenery, who is President of the principal stockholder, I understand, of Southern Natural.

Q. Is that a company known as Federal Water Service?

A. Yes.

Q. And how long a period of time did those negotiations take?

A. As I think back, they seem like an awful long time. I would say a couple of years, perhaps.

Q. What was the occasion for these negotiations which culminated in this new contract or the amendment of the old?

A. The real occasion was to enable Southern Natural to increase the reserves of natural gas back of its pipe line by permitting it to go elsewhere than the Monroe Field for 25 percent of its requirements.

Q. Previous to the execution of the present contract, what percentage of requirements was the Southern Natural Company getting from the producers in the Monroe Field?

A. One hundred percent.

Q. And what were those producers?

A. Interstate Natural Gas Company; Hope Production Company; United Carbon Company; Southern Carbon Company, and United Gas Pipe Line Company.

Q. Did Mr. von Phul take any part in the negotiation of this new contract?

A. None whatever.

Q. Were there many points of difference that existed between the Southern Natural representatives and yourself during the period of negotiations with respect to terms and provisions of this new agreement?

A. A great many.

Q. Would you say that these negotiations that were carried on could be characterized by the term, "arms-length"?

A. They were entirely arm's-length, as I understand that term.

Q. Well, after the form of that contract and the terms and provisions were agreed upon between you and the representatives of Southern Natural, was that contract presented by you to the Board of Directors of Interstate Natural Gas Company?

A. It was, yes.

Q. And how many Directors are there of that company?

A. Six.

Q. Who are they, or who were they at that time?

A. They were Mr. Carr, Mr. Nelson—

Q. (Interposing): Of Interstate Natural Gas Company.

A. Oh. They were Mr. Carr, Mr. Durbin, Mr. von Phul, Mr. Du Vall, Mr. William A. Dougherty, Mr. E. A. Frost, and myself.

Q. Is that contract the one that is filed with the Federal Power Commission, and is the effective schedule under which natural gas is sold by Interstate Natural Gas Company to Southern Natural Gas Corporation today?

A. It is.

Q. Mr. March asked you a question with respect to what natural gas companies are controlled by the Standard Oil Company, of which you are President. Will you explain what your understanding was or is of that term as used in connection with your answer? Your answer, as I recall it, was that you were President of Colorado Interstate Gas Company, in which company Standard Oil Company owned 42-½ percent of the common stock—

A. (Interposing): My answer was made to put in the record in response to the question as to the fact that I was President of that company, and I stated the stock interest to show that it was not actually a controlled company by Standard Oil (New Jersey) in the sense that it does not now and never did control a majority of the stock of the company.

Q. What gas companies are you President of in which the Standard Oil Company owns more than 50 percent of the voting stock?

A. Interstate Natural Gas Company and Hope Producing Company and the McKamie Gas Cleaning Company.

Mr. Dougherty:

That is all I have.

Mr. March:

I have a question here.

Cross Examination (Resumed).

By Mr. March:

Q. I want to know if von Phul voted at the stockholders meeting which approved the contract, the recent contract between Southern Natural and Interstate Natural?

A. You don't mean to ask me that.

The Witness:

Read that question, because I don't think Mr. March means what he says. I am sorry, I am not putting words in your mouth, but I don't think you meant that question.

(The question was read by the reporter.)

By Mr. March:

Q. I mean Board of Directors meeting, I thank you.

A. I can't answer unless I could find out whether he was present at that meeting.

Q. Will you check on that, please?

A. Yes, sir.

Mr. Dougherty:

May I inquire which meeting that was?

The Witness:

The meeting at which the amended contract with the Southern Natural was considered by the Board of Directors.

By Mr. March:

Q. Do you think it is necessary to have 51 percent of the stock of a company before you can control it?

A. You mean—

Q. (Interposing): Any company.

A. I mean as an individual or another company having control of it?

Q. I mean is it necessary always to have 51 percent of the stock of a company before you can control that company?

A. The answer to your question has to be yes, because you can't control a company unless you have a majority of the stock, if that is the charter or the by-laws of the company. As a practical matter, at a stockholders meeting you don't always have 100 percent of the stockholders present. Therefore, if there is a quorum of the stock, a majority of those present can control the meeting, if that is provided for in the by-laws. So your question is purely, I think, academic.

Q. Who votes the stock at the stockholders meetings of Mississippi River Fuel?

A. Well, the Jersey stock, the Standard Oil (New Jersey) stock, is usually voted by proxy, which is given in the name of myself, Mr. Dougherty and Mr. DuVall, usually.

Q. Mr. DuVall also serves as a Director of Mississippi River Fuel?

A. Not always, he has been a Director.

Q. He is an officer, is he not?

A. He is an Assistant Secretary.

The United Gas Corporation always sends the Treasurer of that company with power of attorney to vote their stock.

The Columbian Carbon Company has both sent proxies and has also sent an officer with power of attorney. The same thing is true of United Carbon. They sometimes don't even send a proxy, I have known that to happen. They have sent their Treasurer or some officer of the company to vote their stock, and at other times they have selected—I am recollecting again—I think they selected me as a proxy at one time for their stock.

Q. Who did that?

A. United Carbon.

Q. United Carbon selected you as a proxy?

A. Once I think they did. That would be a matter of record, I am only recalling.

Q. Is there any informal understanding between Standard Oil and United Corporation that the management of the company will be vested in the hands of Standard Oil through you?

A. Of which company?

Q. Of the Mississippi River Fuel Corporation.

A. There is no understanding, informal or formal. The management rests with Gas Companies, Inc., or with me, because the Board of Directors continue to choose to do that. Originally when the company was first formed, there was a company formed known as Mississippi River Engineers, which was formed for the purpose of providing management for Mississippi, most of which men came from the payrolls of other Standard Oil companies, and from that time on, the management by some representative of the Standard Oil (New Jersey) grew up and has continued, but it can be changed at any time the Directors choose to change it, or the stockholders choose to change it.

Q. So much for that, Mr. Lerch.

I have here before me Appendix 2 to Exhibit 6407, a report on the examination of the accounts and records of the Mississippi River Fuel Company, a Federal Trade Commission report, Senate Document 92, Part 82, at page 847. There is a stipulation there dated June 6, 1928, and supplements dated December 17, 1928. Will you explain that syndicate arrangement there?

A. Well, I don't know what I can explain other than the stipulation provides, which appears to be the plan whereby the—

Q. (Interposing): We will strike that. Are you familiar with the stipulation?

A. I have seen it before.

Q. You may continue, then.

A. The stipulation provides for the parties referred to therein to finance, or rather to project a pipe line and do whatever is necessary to finance it, supply it with gas, for the purpose of supplying the market in and around St. Louis, Missouri, with natural gas. The stipulation sets forth the financing participation, the participation apparently in the ownership of the line, or the investment, and the percentages covering the manner in which the gas itself was to be furnished to meet the requirements of the line.

Q. Are the United Gas Pipe Line Company and United Gas Corporation parties to that agreement?

A. They do not appear as a party to that agreement, no, sir.

Q. The Standard Oil, I believe, is a party to that agreement, isn't it?

A. Standard Oil Company is a signed party to the agreement, yes, sir.

Q. Is that agreement still effective?

A. I would say no, it is not effective.

By Mr. March:

Q. There is one other thing that Mr. Lange directs my attention to that I didn't drive home a few minutes ago, I went all around the point and didn't hit it.

In regard to this contract that we are discussing, Appendix 2 of Trade Commission Reports, page 847, dated June 26, 1928, you testified that United Gas Corporation was not a party to that contract?

A. That is right.

Q. Were the predecessor companies of United Gas Corporation a party to that contract?

A. Well, again, I think I will have to say no, Mr. March. Some of the companies on there are now in the United Gas System.

Q. Which companies are they?

A. Well, I think the Palmer Corporation is part of the United Gas System; Moody, Seagraves; and so far as I know the Electric Power & Light Corporation never owned any physical property, so I would have to say the other two properties were the only two, the only companies on there who owned properties, who are now part of the United Gas System.

Q. Who are the successors in that contractual arrangement for delivery of gas to St. Louis, to the Moody, Seagraves Company and the Palmer Corporation?

A. United Gas Pipe Line Company.

Q. United Gas Pipe Line Company?

A. Yes.

Q. And that contract was modified by those successors and by subsequent agreements, and is still in operation?

A. Yes, that contract is still in operation.

Q. Then that is another arrangement wherein Standard Oil Company and United Gas Pipe Line Company are engaged in a common enterprise, isn't it?

A. That is the same one you asked me about, isn't it, Mississippi River Fuel? You asked me if there was any other besides Mississippi River Fuel?

Q. This is in regard to the sale of gas by Mississippi River Fuel?

A. No, this is the sale of gas to Mississippi River Fuel.

That is exactly the same question you asked me.

Q. Is that the first agreement—

A. (Interposing): That is the project that has resulted in the Mississippi that we have been talking about ever since.

Q. That started the whole thing?

A. Yes.

The Witness:

I think, Mr. Examiner, if I may extend the answer, the Electric Power & Light, who signed that contract, while they owned no properties as such, provided that any of their subsidiaries should also go over to United Gas Corporation, and I can't tell you just what their names were, but that was my understanding of what happened to that signatory of that project.

By Mr. March:

Q. And it is your understanding that Electric Power & Light Corporation controls United Gas Pipe Line Company?

A. Well, they control the United Gas Corporation, which in turn owns the United Gas Pipe Line Corporation.

Mr. Lange:

They are all Bond and Share companies?

The Witness:

Electric Power & Light is known in the utility business as a Bond and Share Company, I can't answer you as to all of the others.

By Mr. March:

Q. Is Memphis Natural known as a Bond and Share company?

A. No, it is not.

Mr. March:

That is all.

Mr. Dougherty:

No questions.

Trial Examiner:

That is all, Mr. Lerch.

(Witness excused.)

Mr. Dougherty:

I would like to take up the exhibits concerning which Mr. Lerch has testified. Those were Exhibits 3, 4, 5, 6 and 7. I had offered them at the time, and ruling was deferred until cross examination had been completed.

Trial Examiner:

Is there any objection?

Mr. March:

We have no objection to them going in now, of course with the understanding that we may want to ask Mr. Lerch a few more questions with regard to one of the exhibits.

Trial Examiner:
I presume he will be available?

Mr. Dougherty:
Oh, yes, he will be available for whatever questioning is desired.

Trial Examiner:
Do counsel for the other parties have any objection to these exhibits?

Mr. Kizer:
No objection.

Mr. Knight:
No objection.

Trial Examiner:
Exhibits 3 to 7, inclusive, are admitted in evidence.

(Exhibits Nos. 3 to 7, both inclusive, were received in evidence.)

Mr. Dougherty:
May I inquire from the Examiner whether or not the various Federal Power Commission rate schedules which we offered, were those admitted in evidence?

Trial Examiner:
No, sir, they were not, ruling was reserved pending a check on those documents.

Mr. Dougherty:
I think, then, that I have suggested taking up all of the exhibits that might now be taken up for ruling, is that not correct? I don't think there are any other exhibits

pending there that we are ready to take up for admission at the present time?

Trial Examiner:

I believe that is right.

I don't believe there has been any ruling on Mr. Blanks' exhibits.

Mr. Dougherty:

I thought they went in this morning.

Mr. March:

No, they didn't go in. I want to make a most strenuous objection to Exhibit 42.

Mr. Dougherty:

I want to now offer—I already have offered them but I would like to take up for admission—

Trial Examiner (Interposing):

Exhibits 42 to 45, inclusive?

Mr. Dougherty:

That is right.

Mr. March:

If it please the Examiner, we have a most strenuous objection to offer to Exhibit No. 42. As shown by the record here, this exhibit was prepared by a lawyer, principally in New York City, and apparently was put into this record by remote control through Mr. Blanks.

We oppose the exhibit because it is incompetent in this record, and it was not prepared by the witness who supported it, and for that reason we wish to register a strenuous opposition to that exhibit.

And there are certain conclusions reached in there which the Examiner can see by an examination of Ex-

hibit 42-A, all of which were written in New York City by Mr. Cooper, this lawyer, and are nothing more or less than a legal argument and add nothing to this record, but confuse the record—it is highly improper and it wouldn't mean any more than if I sat down and wrote an exhibit for Mr. White, to go into evidence here, and all the time in the back of my mind the objective that I wanted to reach through him was on all fours with that situation; and if we permit to go into evidence material like that, these hearings will revert into nothing more or less than legal briefs filed by lawyers, submitted through persons who had little if anything to do with the preparation of the statements.

Trial Examiner:

Well, as I understand it, your objection is directed not merely to these conclusions, but to the whole exhibit?

Mr. March:

That is right, Exhibit 42 in its entirety. The conclusions are only secondary, as far as I am concerned.

Trial Examiner:

Well, I think there should be a very definite distinction made between the two. If you are objecting to certain conclusions at which the witness arrives, they might very clearly be improper and might be stricken from the document.

Mr. March:

I move that they be stricken from the document, and if the Examiner admits Exhibit No. 42, I shall again move to strike from this exhibit all reference to these conclusions contained in the exhibit in regard to gathering lines.

Trial Examiner:

Your motion so far has been directed to the one word "gathering" as used in the document, as I understand it?

Mr. March:

That is the conclusion that I have in mind, that is a legal conclusion which was written into that exhibit, the Examiner can see by an examination of Exhibit 42-A, by Mr. Cooper here.

Trial Examiner:

Those are the conclusions to which you are now referring?

Mr. March:

Yes. But my principal objection is directed to this method of the preparation of this exhibit, the fact that it was prepared by the lawyer, that it was submitted by a witness; that he merely offered the thing, the material which the lawyer had prepared, and all the time there was this emphasis upon this conclusion here. I wouldn't have any objection to this exhibit if he had merely related facts as to the operations. But no, it goes out of its way, there is a refrain all the way through it, there is a verse that is sung in every paragraph, "gathering, gathering lines". It is a conclusion, it is improper to put it in the record in this way, we feel. For that reason we are opposing the entire exhibit.

Trial Examiner:

The objection is overruled.

Mr. March:

We move to strike, then, from the exhibit any reference to "gathering".

Trial Examiner:
Motion denied.

Mr. March:
I then wish to offer in evidence, merely for the purpose of impeachment of the exhibit, Exhibit 42-A.

Trial Examiner:
Is there any objection to Exhibit 42-A?

Mr. Dougherty:
Not on my part.

Trial Examiner:
Exhibits 42 and 42-A are admitted in evidence.

(Exhibits Nos. 42 and 42-A were received in evidence.)

Trial Examiner:
Is there any objection to Exhibits 43 to 45, inclusive?

Mr. March:
No objection.

Trial Examiner:
Exhibits 43 to 45, inclusive, are admitted in evidence.

(Exhibits 43 to 45, both inclusive, were received in evidence.)

Trial Examiner:
Mr. Wilenzick?

Whereupon, BERNIE WILENZICK, recalled as a witness, having been previously sworn, resumed the stand.

Trial Examiner:
Counsel for the Federal Power Commission may cross examine the witness.

Mr. Lange:
Could we have a few minutes recess?

Trial Examiner:
Yes. We will take a recess of five minutes.

(Whereupon, a five-minute recess was taken.)

Trial Examiner:
Proceed.

Mr. March:
No cross examination of this witness.

Trial Examiner:
Does counsel for the Louisiana State Commission have any questions?

Mr. Knight:
No questions.

Trial Examiner:
The City of New Orleans?

Mr. Coleman:
No.

Trial Examiner:
The City of Baton Rouge?

Mr. Kizer:
No questions.

Mr. Dougherty:
May we take up for admission these exhibits at this time, then?

Trial Examiner:
Exhibits 38 to 41, inclusive?

Mr. Dougherty:
That is right.

Trial Examiner:
Is there any objection to these exhibits?

Mr. March:
No objection.

Trial Examiner:
Exhibits 38 to 41, inclusive, are admitted in evidence.

(Exhibits Nos. 38 to 41, both inclusive, were received in evidence.)

Trial Examiner:
Call your next witness.

Mr. Dougherty:
That completes all of the direct testimony we have on these points, and as I say, the accounting testimony that we have and other testimony respecting allocations of cost, and so forth, will of necessity have to follow the exhibits of the Federal Power Commission.

Trial Examiner:

I assume that the State Commission has no additional evidence to offer at this time, is that correct?

Mr. Martin:

That is correct, Mr. Examiner. We couldn't make an investigation, we couldn't get the books and the records, and for that reason we have no evidence to offer. We are depending, of course, on the Power Commission to do the investigating in view of the fact that we were enjoined by the Federal Court from investigating the Company.

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Whereupon, PAUL C. WHITE, called as a witness on behalf of the Federal Power Commisssion, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Lange:

Q. Please state your name?

A. Paul C. White.

Q. Where are you presently employed, Mr. White?

A. With the Federal Power Commission.

Q. And where do you reside?

A. 2514—14th Street, Washington.

Q. Washington, D. C.?

A. That is correct.

Q. What is your occupation or profession?

A. Gas engineer.

Q. How long have you been employed by the Federal Power Commission in that capacity?

A. Three years and a half.

Q. And prior to that time have you engaged in that particular profession or occupation?

A. That is correct.

Q. Have you prepared a statement setting forth your qualifications and your experience in connection with that character of work?

A. Yes, sir.

Mr. Lange:

Mr. Examiner, I suggest that that be incorporated in the transcript, that it be copied into the transcript or the witness may read it, whichever the Examiner desires.

Trial Examiner:

Have counsel had an opportunity to look over this document?

Mr. Lange:

Yes.

Mr. Dougherty:

Yes, we have. We have no objection to it, Mr. Examiner.

Trial Examiner:

The reporter will be directed to incorporate the statement into the record as if read.

(The statement is as follows):

Experience: Jan. 1939 to present—Federal Power Commission.

In January 1939, I was employed by the Federal Power Commission. The title of my present position is Rate Investigator. During my employment by the Commission, my duties have included the following engineering

phases of regulatory procedure in connection with natural gas utility companies:

(1) Estimating natural gas reserves and their deliverability in fields in New York, Michigan, Pennsylvania, West Virginia, Ohio, Kentucky, Arkansas, Louisiana, Oklahoma, and Texas.

(2) Analyses and classification of natural gas mineral interests.

(3) Analyses of natural gas production and cost of production.

(4) Preparation of gas system balances.

(5) Preparation of studies to reflect deliveries of gas on system coincidental maximum demand day, and customer maximum demand day.

(6) Analyses of operating records of gas compressor stations.

(7) Preparation of abstracts of contracts for purchase and sale of natural gas.

(8) Preparation of depletion and depreciation plans.

(9) Field inspections of physical property for determination of use and usefulness in public service, and for determination of service lives.

(10) Determination of service capacity, and service lives of physical property.

(11) In 1939, I was assigned the duty of assisting and advising the State of Arkansas Department of Public Utilities in the matter of their Docket No. 4, Arkansas-Louisiana Gas Company. During this assignment, I assisted in the study of gas reserves and estimated the deliverability of these reserves which are located in seventeen fields in Arkansas, Louisiana, and Texas. On this assignment, I advised and assisted in classifying natural gas mineral interests for the purpose of determining the cost thereof.

(12) Many problems relative to gas reserves, deliverability of gas reserves, cost and adequacy of physical plant, and analyses of market surveys have been assigned to me since my employment by the Commission in connection with application for Certificates of Convenience and Necessity, such as:

Docket G-165, Tennessee Gas and Transmission Co.

Docket G-180, Reserve Gas Pipe Line Co.

Docket G-213, Gas Transport, Inc., etc.

May 1933 to Jan. 1939—State of Arkansas Department of Public Utilities.

While Senior Gas Engineer for the Arkansas Department of Public Utilities, I assisted in the normal operation of the Commission in connection with natural gas, manufactured gas, electric, telephone, and water utility company investigations. During my employment by the Commission, I participated in the following types of work:

(1) Field inventory and appraisal of natural gas company production, transmission and distribution plants; a

manufactured gas plant and distribution plant; electrical power plants, transmission systems, distribution systems and whiteway systems; water plants and water distribution systems; and telephone exchanges.

(2) Field inspection of all of the above types of utility property for the purpose of determining depreciation.

(3) Determination of cost of service.

(4) Estimates of natural gas reserves and their deliverability.

(5) Analyses of operations of utility companies.

(6) Analyses of natural gas mineral interests.

(7) Checking inventories and appraisals filed with the Commission by utility companies.

(8) Investigating complaints against utility companies.

Dec. 1932 to May 1933—Private Practice—Texarkana, Texas.

While in private practice, I made gas-oil ratio tests, royalty reports, pipe line locations, well locations, lease block and subsurface maps in the East Texas Oil Field.

Oct. 1931-Oct. 1932—Donathan-White Engineering Co., Henderson, Texas.

As manager and half-owner of this firm, my work consisted of making gas-oil ratio tests for various oil companies in the East Texas Oil Field. More than one thousand tests were made under order of the Texas Railroad Commission and ten 100-hour tests were made un-

der Federal Court order. In addition to these gas-oil ratio tests, our office conducted a general oil-field engineering practice which included well location and lease surveys, royalty reports, subsurface maps, etc. in the East Texas Oil Field.

Nov. 1930 to Oct. 1931—Eby Engineering Co., Henderson, Texas.

As Office and Field Engineer for this firm, I supervised all office and field work on all types of oil field engineering including making pipe line surveys, well locations, earthen tanks, setting steel tanks, refinery locations, subsurface mapping, etc.

May 1930 to Nov. 1930—Root Refining Co.—Geological Dept., El Dorado, Ark.

As Oil and Gas Scout and Assistant in the Geological Department, it was my duty to scout south Arkansas and north Louisiana, correlate well logs, prepare subsurface maps of north Louisiana and south Arkansas, make drawings of refinery, check geological reports, etc.

Apr. 1929 to May 1930—Vacarro Bros. and Subsidiaries, Spanish Honduras, Nicaragua, C. A., and New Orleans, La.

I was employed as Irrigation and Reconnaissance Engineer for the purpose of making topographic maps for irrigation and drainage projects, reconnaissance surveys of rivers and valleys in the interior, soil analyses for acidity, core drilling with homemade rig for locating sheet piling dams for temporary water supply and erosion surveys along rivers.

Jan. 1929 to Apr. 1929—Pure Oil Co., Geological Dept., Tulsa, Okla.

As Assistant in the Geological Department, I prepared base maps, drafted generalized time scale of the Paleozoic, Mesozoic, and Cenozoic Ages for seven states, made well log correlation, subsurface contouring, computed crooked hole tests, etc.

Sept. 1927 to Sept. 1928—Pure Oil Co., Geological Dept., El Dorado, Ark.

As assistant in the Geological Department, I scouted south Arkansas and north Louisiana, caught samples on drilling wells, correlated well logs, prepared subsurface maps, trained geological stenographic staff, etc.

March 1924 to Sept. 1927, City of El Dorado, Ark., Engineering Dept.

I was employed as Rodman, advanced to Instrumentman in two years and was Assistant City Engineer during my last year, performing work of general municipal engineering, including construction and inspection of street paving, sidewalks, and sewers, making surveys, establishing grades, etc.

By Mr. Lange:

Q. Mr. White, in connection with your employment with the Federal Power Commission, were you assigned to any work pertaining to the general investigation of Interstate Natural Gas Company, Incorporated, in Docket G-149?

A. Yes, in October, 1939.

Q. October, 1939?

A. That is correct.

Q. Did you proceed to carry out the work assigned to you on that Docket?

A. Yes, in the offices of the Interstate Natural Gas Company at Monroe, Louisiana.

Q. And approximately what period of time did you devote to that work at those offices?

A. A portion of 1940 and a portion of 1941.

Q. Did you have occasion to examine the Company's properties, its books and records, and any other items of equipment or properties pertaining to your work on this investigation?

A. That is correct, I made a complete inspection.

Q. A complete inspection of the Company's properties?

A. Of the physical properties, yes.

Q. After you had completed that work and had finished at the Company's plant in Louisiana, did you compile the information that you had so gathered?

A. Yes, sir.

Q. Did you then prepare any exhibit reflecting those facts?

A. Yes, that is true.

Q. I will ask you whether this is the exhibit you then prepared?

A. Yes, sir.

Mr. Lange:

I would like to have this marked for identification, Mr. Examiner.

Trial Examiner:

It may be so marked.

(The document referred to was marked as Exhibit No. 49 for identification.)

By Mr. Lange:

Q. Mr. White, this exhibit that has been identified as No. 49, entitled, "Properties and Operations of the Interstate Natural Gas Co., Inc.", that is the exhibit prepared by you?

A. Yes, sir that is correct.

Q. Will you briefly state the nature of the exhibit and what it presents?

A. The exhibit covers the properties and operations of the Interstate Natural Gas Company, with maps showing those physical properties; flow diagrams graphically showing the flow of gas in the system; the gas balance, showing gas received and gas delivered; and the demands

met by the system on the coincidental maximum demand days.

Q. Turn to page 5 of that exhibit. There is a map appearing at that place. What does that represent?

A. That map shows the outline of the Monroe Gas Field and all the wells in the Monroe Gas Field in yellow; in pink are shown the mineral interests of the Interstate Company, and in black are shown the locations of the wells and field lines of the Interstate Natural Gas Company.

There is also shown the main transmission lines, T-9 and T-1, in so far as the map will permit.

Q. Now turn to page 14 of the exhibit. That presents another map. What does it set forth?

A. This map shows the base of the townships of portions of Louisiana and Mississippi in yellow; and superimposed upon this map, in black, is the main transmission line of the Interstate Company from the Monroe Field to Baton Rouge, Louisiana, and the main transmission line of the United Gas Pipe Line Company between Baton Rouge and New Orleans, Louisiana, and the jointly-owned pipe lines commonly known as the Lirette System and LaFitte System, near New Orleans.

There is also shown in black on this map the outline of the Monroe Gas Field with schematic location of other natural gas pipe lines which leave the field or enter the field.

Along the main line of the Interstate Company there are numbers which designate points of metering that are deliveries from the main line. In the upper right-hand corner of this map is a tabulation showing the name of the customer or the type of delivery at each of these designated points.

Q. I notice, Mr. White, that in the lower right-hand corner there are several gas fields indicated.

A. Yes, those are connected to the Lirette System.

There is the Raceland Field, Lake Long Field, Lirette Field and Du Large Field. There is only one field connected to the La Fitte System. There are also 3 other fields from which the Interstate Company takes gas between Baton Rouge and New Orleans, Louisiana, which are shown on the map,—the University Field, La Pice Field, and La Place Field. The Interstate Company owns the pipe lines connecting these fields to the main transmission pipe line of the United Gas Pipe Line Company between Baton Rouge and New Orleans, Louisiana.

Q. I note from the map that the main transmission pipe line of Interstate that proceeds from the Monroe Gas Field to Baton Rouge, Louisiana, is looped the greater portion of the way. Approximately what distance is there of the line that is not looped—

Mr. Kizer:

(Interposing.) Mr. Examiner, Mr. Jones is here now. He has come in since this witness started, and I thought perhaps it might be the wish of the Examiner and the attorneys that we take Mr. Jones' testimony now before we get too far into this witness' testimony, and we will be through with that.

Mr. Lange:

I would suggest this, Mr. Examiner. We can complete Mr. White's direct at least on this exhibit to get that definitely in the record without any portions of other testimony coming in between it, and then if it is agreeable with the Examiner there is no objection on our part to placing Mr. Jones on the stand.

Mr. Kizer:

That is agreeable to me.

Trial Examiner:

I think it would be better to complete Mr. White's direct testimony before putting on Mr. Jones.

The Witness:

Will you read Mr. Lange's last question?

(The pending question was read by the reporter.)

The Witness:

In the State of Mississippi at a point approximately 30 miles south of Natchez, Mississippi, the looping stops, and begins again about 10 miles north of the Mississippi-Louisiana State line. All of this looping on the balance of the system is 20 and 22 inch diameter pipe, with the exception of what might be termed a loop line extending from the Perryville Compressor Station at Perryville in the Monroe Gas Field, which is designated as Perryville on the map, and which ends at Alto, Louisiana. This looping is 16 inch pipe. I note on the map that the size shown is 18 inch. I believe that is an error.

By Mr. Lange:

Q. Which is that, Mr. White, so we can correct it?

A. On the map is shown a pipe line extending from Perryville in the Monroe Gas Field and running approximately 18 miles to where that line appears to cross the 22-inch main transmission line, and that is the portion which is 16-inch instead of 18-inch. It is a drafting error.

Mr. Lange:

May we make that correction on the map itself, Mr. Examiner?

Trial Examiner:

Yes, and also on the official copy that has been marked for identification.

(The corrections referred to were made.)

The Witness:

I might say that on the map on page 5, which we referred to a few minutes ago, it shows that line as T-9, a 16-inch line.

Mr. Dougherty:

Mr. Lange, in connection with that looping, it so happens that Mr. White's exhibit, on page 16, uses 40 miles as the miles in the State of Mississippi, and I think that is an error and that instead of 40 miles being unlooped our records indicate that it is 21 miles. I thought this might be an appropriate place to mention it since we were talking about loop lines.

Mr. Lange:

Do you see that place in the first paragraph on page 16, Mr. White?

The Witness:

Yes, I have corrected my copy.

Trial Examiner:

That should be 21, then?

Mr. Lange:

What is the correct mileage?

The Witness:

It appears to be approximately 21 miles on the map.

Mr. Lange:
Approximately 21 miles?

The Witness:
Yes.

Trial Examiner:
That correction should be made, then, on page 16 of Exhibit 49.

(The correction referred to was made.)

Mr. Dougherty:
While we are on page 16, in that next paragraph where the year 1934 is given as the date when T-9 was purchased, that should be 1936.

Mr. Lange:
The first line in the second paragraph on page 16?

Mr. Dougherty:
That is right.

Trial Examiner:
1934 should be 1936?

Mr. Dougherty:
Yes, sir.

By Mr. Lange:
Q. Now turning back to the map on page 5, and relating it to the map on page 14, the map on page 5 shows in the lower right-hand corner two main transmission lines, or rather two lines that are indicated as T-9, 16-inch, and T-1, 22-inch, to Baton Rouge, Louisiana?
A. That is correct.

Q. Will you state where those two lines connect with the beginning portion of the main transmission line shown on page 14?

A. At Alto, Louisiana; as I stated a few minutes ago, the lines are connected there.

Q. Now turning to the map on page 14, the southern terminus of the lines of Interstate Natural Gas Company is at Baton Rouge, Louisiana, isn't it?

A. That is correct, of the main transmission line.

Q. Yes.

Now the lines extending to the right and towards the bottom of the page, the lines that are checked, whose pipe lines are those, what company owns and operates those?

A. The United Gas Pipe Line Company.

Q. That pipe line is looped practically the entire distance from Baton Rouge to New Orleans, isn't it?

A. Yes, I would say approximately 85 to 90 percent looped.

Trial Examiner:

Alto, Louisiana, is the point where T-9 appears to cross T-1?

The Witness:

That is correct.

By Mr. Lange:

Q. Where is that point on page 14 with reference to the mark 208-S?

A. That is the point, or as close as it could be placed on the map.

Q. Turning to page 24 of the exhibit, will you please state what the diagram there represents?

A. This is a diagram showing the flow of gas based on the amount of gas delivered by the Interstate Natural

Gas Company during the calendar year 1941. The direction or geographical location of the center of this flow diagram is approximately correct, although schematic, and the width of the flow diagram indicates the volume of gas delivered at each point designated. The benday pattern on the map shows that portion of the flow diagram which represents property owned by the Interstate Company and is a small dot pattern, and the portion of the flow diagram which is hatched is the United Gas Pipe Line Company portion of the deliveries. In the diagonal pattern is shown that portion of the system which is jointly operated by the Interstate Company and the United Company.

On the right-hand side there are numbers which correspond to the numbers on the flow diagram, and opposite each number is the name of the customer and the volume of gas delivered during the calendar year 1941. The diagram is based upon gas delivered and not upon gas received.

Q. Now on page 25, another diagram appears. Will you explain its nature?

A. That is a similar flow diagram which conforms with the one on page 24 except that the deliveries of this flow diagram are based upon the 24-hour coincidental maximum demand day of January 8, 1942.

Q. In what respect does the following diagram on page 26 differ from the one on page 25?

A. It represents the deliveries made during the calendar year 1940.

Q. Then the one on page 27?

A. That represents the gas delivered by the Interstate Company on the 24-hour coincidental maximum demand day of November 15, 1940.

Q. And the map on page 28?

A. It is similar to the other two calendar year flow diagrams except that it is for the calendar year 1939.

Q. Now I note that on pages 29 through 31, you have a section of the text devoted to a discussion of what is termed Gas Balance. Will you briefly describe what you contemplate by that?

A. I have prepared the gas balance for the operations of the Interstate Company based on calendar years for each year since the inception of the Interstate Company in 1926, through 1941. The text to which you refer merely describes the tables which follow on page 32 through page 43, which show the volumes of gas received by the Company by points of metering, and the gas delivered by the Interstate Company by points of metering, during the period stated.

On page 32 there is a summary of gas received and gas delivered, which reflcts losses and gains of the Company in their operations.

Q. I believe I asked you if this exhibit and the maps and diagrams therein contained, were prepared by you?

A. Yes, by me and under my direction.

Q. And under your supervision and direction?

A. Yes.

Q. During the course of your work on this assignment in Docket G-149?

A. That is correct.

* * * * * *

By Mr. Lange:

Q. Mr. White, on page 44 of Exhibit 49 for Identification, there is a topic discussed under the heading of "Demand Analysis". Will you give a brief explanation of that?

A. That is similar to the Gas Balance except that it is based on coincidental demand days and represents the gas delivered only.

Mr. Lange:
I believe that is all.

Trial Examiner:
Counsel for the company may cross examine the witness.

Cross Examination.

By Mr. Dougherty:
Q. Mr. White, you obtained your information from the Company's office at Monroe?
A. Yes, that is true.
Q. And which employees did you principally deal with in getting the information?
A. I expect every man in the company.
Q. The maps that you have in here, that is the one at page 5 and the one at page 14, were the basic data for those furnished to you by the Company?
A. That is correct I would say except that with respect to the map on page 14 I obtained the basic data for the Lirette and Lafitte systems from the United Gas Pipe Line Company.
Q. Will you turn to page 1 of the exhibit?
A. Yes, sir.
Q. Down at the bottom, in the last paragraph, you mention that Interstate sells natural gas to, among others, the Memphis Natural Gas Company?
A. That is correct.
Q. That is the sale that has been referred to in the testimony as made to the United Gas Pipe Line Company for the account of Memphis Natural?
A. That is right, for delivery to Memphis Natural. It is actually sold to the United Gas Pipe Line Company.
Q. Turn to page 11. In the next to the last paragraph from the bottom you state that all of Interstate's

deliveries to Southern Natural Gas Company, Mississippi River Fuel Corporation and Memphis Natural Gas Company are made for the account of Interstate and Hope Producing Company. Are you familiar with the fact that the Hope Producing Company makes some deliveries direct to Mississippi?

A. That is true. I think they have four or five wells called the Fairbanks wells, or something like that.

Q. So that with respect to deliveries to the Mississippi Company that is not all delivered via Interstate for the account of both Hope and Interstate?

A. That is true.

Q. Will you turn to page 18? In the next to the last paragraph you make mention of the fact that certain sources of supply were obtained from these fields south of Baton Rouge in southern Louisiana. And then the last sentence reads, "The effect of the transition has been to supply the increasing annual and demand responsibility of the Monroe Gas Field with gas from these southern fields".

I take it you mean by that, that the effect of getting this other gas has been to relieve the demands that otherwise would be made on the Monroe Field?

A. Well, I would say that they have relieved the demands on the Monroe Field; they have increased since that particular date.

Q. I mean for these particular markets in New Orleans?

A. That is correct.

Q. And except for those the demands of course would have been greater on the Monroe Field than actually they have been since those additional supplies have been brought in?

A. They have increased all over the system.

Q. Will you turn to page 19? In that first paragraph you mention the sale of gas by Interstate to United Gas

Pipe Line Company, and recite the method by which you say the volume of gas is computed. Is not the description you have given there different from the way it actually is first determined in computing that quantity, by Interstate?

A. I have never seen Interstate's actual computation. I believe the net result would be the same.

Q. That is what I had in mind, that after the computation has been made and the figures are all assembled in the method by which the Gas Measurement Department makes those computations, that the results could be described as you have so described them. But you were not here attempting to set out the steps by which the Gas Measurement Department actually makes their first comptuation?

A. That is correct; this isn't an analysis of the contracts.

Q. Turn to page 21. In that schedule which is shown on page 21, under the heading of "Remarks", in the first line it says, "Gas I. N. G. Co. sold U. G. P. L. Co. at Scotland Compressor Station". I take it that what you mean there is that that is the quantity of gas delivered at Scotland which actually is sold in the field?

A. That gas originated in the Monroe Gas Field, that is true, and by the contract I think the gas is sold at the intake at the Desiard Compressor Station. That is where it is delivered, though, at Scotland.

Q. So the word "delivered" there would be more appropriate than the word "sold"?

A. I think it would be all right.

Q. But you are familiar with the fact that the actual sale takes place at the inlet of the Desiard Compressor Station rather than at Scotland?

A. In accordance with the contract that is true.

Q. Then on page 22, at the bottom of the schedule there, you do mention in that first line gas sold United Gas Pipe Line Company and transported to Scotland?

A. Yes, that is transported from the Desiard Compressor Station at Monroe Field.

Q. Will you turn to page 30? In the last paragraph on that page you discuss the purchase of gas in the University Field by Interstate, and in the last sentence you mention that the portion of gas from the University Field that is delivered to Gulf States Utilities Company from the University Field is treated by you as part of the gas delivered from the main transmission line. You do that, I take it, purely in connection with arriving at your gas balance?

A. That is correct.

Q. Although the delivery, I think, is not actually made from the main transmission line?

A. No, it is made in the University Field. That town border floats on the distribution plant and so it more or less integrates it with delivery on the north side of the city.

Q. It is the sum of the quantities delivered from the University Field, plus that delivered from the main transmission line, that constitutes the total deliveries to Gulf States for Baton Rouge?

A. That is correct.

Q. And you have merely treated that portion from University Field in your gas balance computations as though it were delivered from the main line?

A. That is correct.

Q. Will you turn to the map on page 14? You show that dark shaded area as Monroe Gas Field, and then you indicate the Desiard Compressor Station with a pipeline running in a southerly direction from that?

A. Yes, sir.

Q. Is that the pipeline that is known and has been referred to as T-1?

A. That is correct.

Q. And then up near the point called Perryville you show a pipeline there at a little right-angle, and con-

tinuing on southward—and is that the pipeline that is known and has been referred to as T-9?

A. Yes, sir, that is T-9.

Q. The pipelines of the Interstate Company which you have shown on this particular map are those that bear the letter "T" with some number designation?

A. The solid lines bear "T" designations. Of course down below Baton Rouge is a dashed line which is the United Gas Pipe Line Company—I don't know their designation.

Q. I meant only the Interstate's lines as far as Baton Rouge?

A. That is correct.

Q. Will you turn to your first flow chart on page 24? As I understand the quantities which are shown in this list at the right hand side of the chart, you have shown there all of the gas received in the Monroe Gas Field, both produced and purchased, by Interstate?

A. No. This flow diagram is based on gas delivered and not on gas received.

Q. Now you show on the flow diagram a dotted outline in which you have the words, "Monroe Gas Field".

A. That is correct.

Q. Now you show on the flow diagram a designation there within that outline "Company Production and Gas Purchased"?

A. That is true.

Q. You don't, however, have any figures that in the first instance show that quantity?

A. No, this is based on gas delivered.

Q. Gas delivered?

A. Yes.

Q. Now these deliveries that are indicated with the symbols 176-S up to and including 182.3-S, and also 272-S, those are deliveries made in the field?

A. Yes, they are made within the geographical limits of the field.

Q. And those quantities so indicated do not pass through the Desiard Compressor Station?

A. No, none of those do.

Q. If you were to indicate in this flow chart the location of the Desiard Compressor Station by a line, where would you draw that line?

A. For schematic purposes, where the dashed line crosses the flow of gas. Of course that would be just the approximate location of it.

Q. Well, I meant schematic entirely, without any geographical location.

A. Yes.

Q. That dotted line which outlines Monroe Gas Field, where it crosses would indicate the gas that flows through the Desiard Compressor Station and is compressed there?

A. For all practical purposes that would be about its location. Of course the dotted line box which frames the Monroe Gas Field is intended to represent the outline of the field. The compressor station is several miles up into the field and it would probably be say a quarter or a half an inch above the dotted line.

Q. It would be some place below where that flow takes off to the right, indicating the deliveries in the field?

A. That is correct.

Q. There is also included, I assume, in that large column that crosses the dotted line showing the lower schematic side of the Monroe Gas Field, that quantity that flows through T-9?

A. Yes. I have considered T-9 as a loop to T-1, and of course all the way down it represents both the looping and the main line.

Q. Now Mr. White, the same situation would exist with respect to the location of the Desiard Station and the gas that flows through it and also that flows into

T-9, on the other flow diagrams that follow, pages 25, 26, 27 and 28?

A. That is correct.

Mr. Dougherty:

That is all I have.

Trial Examiner:

Does the Louisiana State Commission have any questions?

Mr. Martin:

No, sir.

Trial Examiner:

The City of New Orleans?

Mr. Coleman:

No questions.

Trial Examiner:

The City of Baton Rouge?

Mr. Kizer:

Yes, sir.

Cross Examination.

By Mr. Kizer:

Q. In making up this map on page 14, that is only calculated to show the lines and the gas available for distribution in those lines?

A. It is intended to show the geographical location of the main transmission lines of Interstate and of the United Company, and where deliveries are made.

Q. Are there only two big pipeline companies supplying the municipalities in Louisiana?

A. Probably three, the Arkansas-Louisiana Gas Company, Interstate Natural, and United.

Q. Does the Arkansas-Louisiana have any lines in South Louisiana?

A. Not in south Louisiana.

Q. Did you make a study to see what gas reserves were available for use by these companies in south Louisiana to avoid that distribution from the Monroe Gas Field, and that lift?

A. You mean in demands?

Q. Yes.

A. No, I made no estimate of reserves of anything but the Monroe Gas Field.

Q. Did you make any kind of a study at all of the Erath Gas Field?

A. No, sir, I never heard of it.

Q. Are there any other fields within your knowledge that would be available for these companies in South Louisiana to avoid that booster system that they are using from Monroe?

A. Not to my personal knowledge, I am not familiar enough with the reserves of South Louisiana to qualify to even testify on that.

Q. Well, I notice here in the bottom corner of this map on page 14, you have got what you call the Lirette System.

A. Yes.

Q. Do those little circles indicate gas fields there?

A. Yes, sir, that is true.

Q. Well, from this design it appears that there is a pipe line that intersects the main line of the United just above New Orleans?

A. Yes, out west of New Orleans approximately 12 or 15 miles at a place known as St. Rose.

Q. Is that gas from there transported on across the Lake and into Mississippi?

A. From where?

Q. From the Lirette Field.

A. Not by that pipe line. I understand the United Gas Pipe Line Company has constructed a line from the Lirette Field, which more or less follows the right-of-way of this pipe line shown on this map, which does go across Lake Pontchartrain, on across portions of Louisiana to Mobile, I believe is the terminus of it.

Q. Didn't you say you took this map from their records?

A. This map was only intended to show the pipe lines in which Interstate Natural Gas Company had an interest. It doesn't show all of the pipe lines in the area of the base map. That pipe line I spoke of, going to Mobile, is not intereonnected, in so far as I know, with this pipe line, either along the way or at St. Rose, it belongs 100 percent to the United Gas Pipe Line Company.

Q. And for that reason you didn't show it on this map?

A. That is correct.

Q. Now weren't you concerned in your investigation with the economy in the supply of this gas to these communities, particularly Baton Rouge and New Orleans?

A. You mean pertaining to other fields besides the ones shown on this map?

Q. Yes, sir.

A. No, the scope of my study didn't include those, because the company did not have any investment in them, and so it would have been kind of far afield to have made an investigation of all the reserves.

Q. Well, there isn't anybody else that we can buy gas from except the Interstate or the United, is there?

A. Not in this area, no, sir, with the exception that if there is distress gas, or gas available, anyone can purchase it.

Q. Well, it appears to me, then, that it would have been pertinent for you to have made some investigation of these big fields like the Erath Field and these others between here and the Texas border, to show the economy by which this gas could be produced and served to these communities to avoid this proposition of bringing this gas from the Monroe Field through these boosters, that was described here on the witness stand the first morning, and which was gone into detail on to show the enormous expense of that booster system. You didn't think that was pertinent to your investigation?

A. No, it wasn't in the scope of my investigation.

Q. Now then, you were talking, in answer to the cross examination of Mr. Dougherty as to page 30, the last paragraph of that page, about the University Field. Did you actually go out to the University Field and make a partial inspection of that gas line that the Interstate Natural Gas Company has where they transport the gas from the Sugar Field Oil Company well over to the Gulf States Utilities?

A. Yes, sir.

Q. Well, how long is that line?

A. Between the meter stations?

Q. Yes, between the meter stations.

A. Between the point of receipt and point of delivery, I would judge about 20 feet.

Q. Twenty feet?

A. Yes, sir.

Mr. Kizer:

That is all.

Trial Examiner:

Is there any re-direct?

Mr. Lange:

No questions.

Trial Examiner:
That is all with respect to that exhibit?

Mr. Lange:
Yes.
We offer Exhibit 49 in evidence.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
We have no objection to the exhibit. There may be some further checking that we may have to do as to factual statements contained in it, but unless you hear from me to the contrary, there will be no further questions about it.

Trial Examiner:
Exhibit 49 is admitted in evidence.

(Exhibit No. 49 was received in evidence.)

Direct Examination.

By Mr. Lange:
Q. Mr. White, in connection with your assignment of the work on Docket G-149, this general investigation, did you also have occasion to examine all available records pertaining to the production of natural gas in the Monroe Field situated in Northern Louisiana?
A. Yes.
Q. Where did you get the basic information?
A. Primarily from the offices of the Louisiana Conservation Department.
Q. Did you also, in connection with that study, have access to and examine the Company's books and records?
A. That is correct.

Q. Where was that?

A. In Monroe, Louisiana.

Q. Approximately what portion of the time was devoted to that phase of the investigation by you?

A. About three months.

Q. After you had completed your investigation of that phase of the work, did you prepare an exhibit reflecting your estimate of the natural gas reserves of Interstate in that Monroe Field?

A. Yes, that is true.

Q. Is this the exhibit that you prepared?

A. Yes.

Mr. Lange:

Mr. Examiner, I desire to have this marked for identification as Exhibit No. 50.

Trial Examiner:

It may be so marked as Exhibit No. 50.

(The document referred to was marked as Exhibit No. 50 for identification.)

By Mr. Lange:

Q. Mr. White, will you turn to Exhibit No. 50 for identification, and first briefly explain what you did in gathering the material utilized for the preparation of this exhibit, and then what the exhibit itself reflects?

A. The exhibit itself reflects the future recoverable gas reserves and ultimate recoverable gas reserves of the Interstate Natural Gas Company, which I prepared from basic data obtained in the Louisiana Conservation Department at Monroe, Louisiana, which consisted of well pressures and production data covering the entire field.

There is also shown in this exhibit a statement of the mineral interests owned by the Interstate Company, located in the Monroe Gas Field, and this table also shows the recoverable gas reserves of the Interstate Company.

In the back of the exhibit, on page 12, there is a map of the Monroe gas Field which is the same map as included on page 5 of Exhibit No. 49. This map shows the outline of the Monroe Gas Field, the mineral interests separated between operated and unoperated, which are owned by the Interstate Company.

Q. Turn to page 2 of this exhibit, Mr. White. I note at that place you have a tabulation of what is indicated as Statistical Data. What was the source of that data?

A. The Louisiana Department of Minerals, or Conservation Department. They changed the name a while back, and I am not certain what the name of it is right now.

Q. Will you briefly explain what that statistical data consists of?

A. This tabulation was compiled from records in the office of the Department of Minerals in Monroe, Louisiana, and the first column gives the years; the second column—Total Producing Wells; the third column—Number of Wells Completed each year; and the fourth column—Total Production (MCF), by years. The next column is Total Wells, and the last column is Total Open-Flow Capacity (MCF) for 24 hours as published in the Reports of the Louisiana Department of Minerals.

The figures at the bottom which show the number of wells acidized each year, also came from the records of the Louisiana Department of Minerals.

Q. The total appearing in the second column as Total Producing Wells, does that column reflect the total producing gas wells that are attached to lines and are feeding to markets?

A. Yes, those are the wells which actually produced gas during those years which are shown.

The next column, of course, shows 1,367 wells as a total, but that figure includes edge wells to the field which never produced, bad drilling jobs in the field, and such as that.

Q. The total production indicated in the fourth column is total production in M. c. f.?

A. Yes.

Q. That is production by years?

A. That is correct.

Q. And the same pertains to each of the columns,—in other words, total producing wells in 1941 were 1,232 producing wells in the field?

A. Wells which did produce gas.

Q. Now on page 4 of the exhibit, there is a statement beginning with the fourth paragraph, "The following is a tabulation showing the principal operators of gas wells in the Monroe Gas Field, the number of wells which they own, and gas produced by them during 1941:"

Are those companies whose names are indicated there the same companies whose names appeared in the exhibits presented by Interstate Natural Gas Company heretofore in this proceeding That is, where Union Producing Co. is named, it is the same Union Producing Co. that was named in their exhibits?

A. That is correct. I think they only named 5 companies, as I recall it, in their acreage maps, and on the operating maps that they put in. I believe they included Union Producing Company, Southern Carbon Company, United Carbon Company, Interstate Natural Gas Company, and I believe there was mention of Hope Producing Company, which I don't show in my tabulation but which I include in the 33 other companies which have less than 25 wells, which is the last item under. "Name of Company".

Q. Now the summary appearing on page 5 sets forth the mineral interests owned by Interstate as of December 31, 1941. Where was that information obtained?

A. I made an analysis myself of the mineral interests owned by the Interstate Company from the Land Department of the Interstate Company at Monroe, Louisiana. After preparing that I checked it with the Examiner of Accounts of the Federal Power Commission, and we were in accord on the acres as shown here, the only difference being that I considered net acres of ownership, which means the actual ownership in certain tracts where they were jointly owned with others. In other words, if there is a hundred acre tract and Interstate's ownership was 50 percent, or one-half interest, I include that as 50 acres instead of 100 acres undivided interest.

Q. Now you have attached to the exhibit a map at page 12. Will you turn to that?

A. Yes, sir.

Q. I note a dotted line extending to about the edges of what would be indicated as the field, Monroe Field. Will you explain what that dotted line represents and how you arrived at its extent and location?

A. Prior to making the estimate of gas reserves, it was, of course, necessary to ascertain the probable limits of the field, and in order to do this I made an analysis of some 150 or 200 edge wells, that is, wells which had been abandoned or which had a low open flow, or which had been drilled as dry holes in the environs of the Monroe Field. From this study I determined the probable limits of the Monroe Gas Field.

Q. Now the symbols appearing on that map at page 12 are the same that are found on the Company's maps?

A. I don't understand?

Q. The symbols, like T-9, or F-33, and such, that appear on this map.

A. Yes, everything that is superimposed in black was taken from maps submitted to me by the Interstate Company.

Q. Now the legend gives two classifications, first Operated Mineral Interests and then Unoperated Mineral Interests. Those are the interests of Interstate Natural Gas Company, are they not?

A. Yes, Interstate only. The operated mineral interests are those mineral interests which have been perpetuated either through the drilling of wells by the Interstate Company, or by other companies.

Q. Now you also have the field divided into zones as indicated in the legend. Will you state what that division represents?

A. This zoning division was made primarily to facilitate the estimate of gas reserves, and although it somewhat follows the producing characteristics of the Monroe Field, the outlines are arbitrary and they represent the zones which the Interstate Company itself has used on their operating maps.

Q. When you speak of foreign-owned pipe lines, the secord classification in the legend, what lines are you referring to there?

A. I believe there are only shown four such lines on the map, beginning at the north end of the map where there is the Memphis Natural Gas Company 8-inch line; then on the right-hand side of the map is a small 7-inch line owned by Southern Carbon Company; then right below that there is another Southern Carbon Company line indicated.

Q. That is a 16-inch line?

A. Yes, sir. On the west side of the field there is a short line, possibly a quarter of a mile long, which is owned by the United Carbon Company. Then in the center of the map, going west from the DeSiard Compressor Station, there are three or four lines which are indicated as being owned by the Hope Producing Company.

Q. Now the third indication in the legend, Interstate Natural Gas Company Field Pipe Line with Company Line Number and Pipe Line Size, that carries with it the company symbols as you found them on their records?

A. Yes, that is correct.

Q. Where it says F-39, for instance, that is a company symbol?

A. That is right. All of these solid lines are field pipe lines of the Interstate Company as shown on the maps which they submitted I believe yesterday or the day before.

Q. And on this second one in the legend, where you state Foreign-owned pipe line, you indicate all pipe lines other than those owned by Interstate Company?

A. No, I only indicate those pipe lines to which the Interstate Company's field pipe lines are connected.

Q. As distinguished from Interstate's own lines?

A. That is correct. I don't show even all of the pipe lines of Memphis Natural, Southern Carbon, United Carbon, or Hope Producing.

Q. In other words, there are a good many other pipe line companies who have lines in that field that are not indicated on your map?

A. I believe there are some 43 operators in the field, and all of them have pipe lines of one kind or another.

Q. Now turning to page 10 of the exhibit, is that where you finally relate your data to the estimate of reserves that you made?

A. Yes, that tabulation shows the acres and future recoverable gas reserves and ultimate recoverable gas reserves of the Interstate Company.

Q. As of December 31, 1941?

A. That is correct, separated between operated mineral interests and unoperated mineral interests.

Q. Does that, in your opinion, in the light of the examination that you made and the experience you have had, correctly reflect the estimate of recoverable reserves as there indicated?

A. Yes.

Mr. Lange:

I believe that is all.

Trial Examiner:

Is counsel for the Company prepared to cross examine the witness?

Mr. Dougherty:

If you will give me just a moment.

Yes, Mr. Examiner, I have just one or two questions.

Cross Examination.

By Mr. Dougherty:

Q. On page 10 where you show the estimate of recoverable natural gas reserves in the next to the last column, that is, the 940,468,171 M. c. f., after you had arrived at this amount, that is the figure that Mr. Lerch agreed with you as being correct for the quantity of future recoverable gas reserves?

A. That is correct.

Mr. Dougherty:

That is all I have.

Trial Examiner:

Does the Louisiana Commission have any questions?

Mr. Martin:

No questions.

Trial Examiner:
The City of New Orleans?

Mr. Righter:
No.

Trial Examiner:
The City of Baton Rouge?

Mr. Kizer:
No.

Mr. Lange:
I move the admission of Exhibit No. 50.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
Not on our part.

Trial Examiner:
Exhibit No. 50 is admitted into evidence.

(Exhibit No. 50 was received in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. White, also in connection with your work on this assignment, did you have occasion to gather material, data and necessary information in the field and from the Company's records, as well as possibly from the records of the Conservation Commission, to enable you to determine upon the preparation of a service life exhibit affecting the properties of this Company?

A. Yes.

Q. When did you do that work and what period of time did you devote to it?

A. I prepared the basic data during the latter part of 1941 and the early part of this year. The field inspections and the data collected were collected during the year 1941.

Q. Is this the exhibit that you prepared on that phase of the work?

A. Yes, that is it.

Mr. Lange:

I ask that that be marked for identification, Mr. Examiner.

Trial Examiner:

It may be marked as Exhibit No. 51 for identification.

(The document referred to was marked as Exhibit No. 51 for identification.)

By Mr. Lange:

Q. Mr. White, what was the nature and scope of this exhibit?

A. The scope of the exhibit was to prepare a basis for depletion of the production plant of the Interstate Company, and to prepare service lives for the balance of the Interstate Company's plant, including transmission plant and general plant.

Q. Turn to page 6 of the exhibit. You have a tabulation there of recoverable gas reserves and annual production by years. Will you point out where that tabulation ties in with your tabulation in the estimate of reserves, Exhibit 50?

A. Yes, the last line in this tabulation, page 6 of Exhibit 51, which is for the year 1941, is the only tie-in between the two exhibits.

Q. That ties in with the figures on page 10—

A. (Interposing.) On page 10 of Exhibit 50, showing the amount of future recoverable gas reserves underlying operated mineral interests, as 837,048,855 M. c. f. Of course, the mineral interest acres as shown tie in with page 10 of Exhibit 50.

Q. Now look at page 9 of the exhibit. You there set forth a tabulation of what you recommend as the service lives and depreciation rates covering the various items of property by their account numbers. Now those account numbers, are those as appear in the Company's records, or in the Uniform System of Accounts?

A. They conform to the Uniform System of Accounts of the Federal Power Commission.

Q. In other words, the Uniform System of Accounts for Natural Gas Companies?

A. That is correct, of the Federal Power Commission.

Q. And not the Company's numerical account numbers?

A. No, but I imagine their account numbers are the same now.

Q. Will you briefly explain your conclusions reached with reference to the recommended service lives of each of those accounts by properties?

A. Yes. On this page is shown the Transmission Plant and General Plant. The recommended service lives in years are shown in the first column, with the annual depreciation rates in the second column.

For the Transmission Plant the service life of 35 years was based on the functional life of the Monroe Gas Field, whereas in General Plant the service lives shown are based on physical service lives.

Q. Now the annual depreciation rates that you have computed in that tabulation, are those the rates that you furnished the Commission's accounting staff, on which they proceeded to prepare their depreciation and depletion exhibits?

A. Yes, I submitted to them the figures shown on page 9, which show the recommended service lives in years and the annual depreciation rates, and also the production and recoverable reserves as shown on page 6 of this exhibit.

Q. Then the annual rates as appearing on page 9 are those employed by the Accountants in connection with their income exhibits for 1941?

A. Yes, they were employed by them.

Q. Now is it your opinion, Mr. White, in the light of your experience and in view of the information that you had available before you on this phase of the work, that this correctly reflects what, in your opinion, should be the service life of each of these items of property, as well as the annual rates to be employed in the future?

A. That is correct.

* * * * * * *

PAUL C. WHITE, the witness on the stand at the time of recess, resumed the stand and testified further as follows:

Cross Examination.

By Mr. Dougherty:

Q. Mr. White, in arriving at your service lives, as I understand it you took into consideration all of the various items that are recited in the definition of depreciation as contained in the Code of Accounts?

A. That is correct.

Q. Including the question of exhaustion of the gas reserves of the Interstate Natural Gas Company in the Monroe Field?

A. That was one of the factors, yes, sir.

Q. And the list of service lives that is found on page 9 of your Exhibit 51 represents the list that was agreed upon by Mr. Lerch, or between Mr. Lerch and you?

A. That is correct, yes, sir.

Q. As I recall it, there was a previous list of service lives that had been agreed upon before this existing one contained in your exhibit?

A. That is correct, yes, sir.

Q. Now with respect to those items under General Plant, are those the same in your Exhibit 51 as were contained in that previous agreement?

A. Yes, they are identical.

Q. The differences then are with respect to those lives under the group of accounts headed Transmission Plant?

A. That is correct.

Q. I have here a list, which I think is correct; will you examine that?

A. Yes, I had that typed for you.

Q. Now at the time that list was agreed to by Mr. Lerch is it your understanding, or your recollection that series of years there, which is 50 years, for example, for mains, as contrasted with 35 years contained in the list in Exhibit 51, was made with the understanding on the part of Mr. Lerch that it did not take into consideration the exhaustion of the gas reserves?

A. That is correct.

Q. That represented the service lives of that particular group of property accounts on the assumption of a continuation of the company's business?

A. That is correct.

Q. Indefinitely?

A. That is right.

Q. Will you read off, so that they will be in the record, those service lives on that sheet of paper which you had typed for me, by account numbers, so that we may

have them in comparison with the list of service lives as shown in your exhibit?

Mr. March:

We object to that, if it please the Examiner, for the reason that we are not offering that as an exhibit. It was prepared merely for the purpose of showing what the service lives of the line would be regardless of the reserves. This witness here has presented his exhibit, which is based upon a much sounder basis, the fact that some consideration must be given to the exhaustion of the gas reserves of the Monroe Field.

Now we object to the witness reading that into the record. If Mr. Dougherty wants to prepare such an exhibit and offer it in evidence, he can put Mr. Lerch on to do it, but he is attempting to put in through one of our witnesses here an exhibit which he is not presenting. He is presenting an exhibit which really submits all of the information which is reliable. Obviously we must give consideration to the life of the field.

Trial Examiner:

I think the objection is rather technical. Of course in so far as this witness reading off the figures contained in some other document is concerned, I think the objection is perhaps well taken. At the same time, from what I understand, the information contained therein could properly be elicited from the witness by way of cross examination.

Mr. March:

Well, it was not the subject matter of his direct examination, it is something entirely different, it is another exhibit. It is something that the company, if they wanted to put it in evidence here, could offer a witness for that purpose and put it in evidence through that

witness. This is something entirely different from what we have here, being tendered through this witness. We object to that sort of a procedure. It doesn't add a thing in the world to getting at the answer here in this case.

Trial Examiner:

The objection is sustained to the extent that it covers the method presently employed by counsel, that is to say, the request that the witness read off these items and figures into the record as representing some agreement heretofore made between him and counsel—

Mr. March:

(Interposing.) As a matter of fact, if it please the Examiner, the members of our staff have no authority to make binding agreements on the Commission, and neither can counsel make binding agreements on the Commission. Those agreements would have to be approved by the Commission.

Now before we went into this case we had several conferences and we ironed out informally certain of our differences. There was no written agreement, there was no written stipulation, as to any facts in this case. We wouldn't have the authority to make such a stipulation unless the Commission specifically approved it. Mr. White didn't have the authority to make any agreement. But we have made progress by getting together and seeing just wherein we differed. The fact that Mr. Dougherty says there have been agreements and stipulations and all that is something that counsel for the Commission doesn't know anything about.

Mr. Dougherty:

In my questions you will recall that I didn't ask if Mr. White had agreed to them. I said, were they figures agreed to by Mr. Lerch. It is purely a matter of put-

ting into the record the list of service lives that are based upon all considerations except the functional one, namely the exhaustion of the f[illegible]d, and I don't think there is anything improper about it.

Mr. March:

The only thing improper about it is that we are not relying on that sort of a tabulation or computation and we don't want to have anything to do with it. We have our exhibit that we are offering. As far as agreements are concerned, I understood that you were agreeable to the service lives of Mr. White before we started this proceeding.

Mr. Dougherty:

That is right.

Mr. March:

And there has been an informal understanding without any stipulation of binding effect, and we don't hold you to any binding agreement; but when counsel comes up here and attempts to put in some new exhibit through our witness and asks the witness whether or not Mr. Lerch agreed to that, then Mr. Lerch ought to be the man to testify about that.

Trial Examiner:

The objection has already been sustained.

Mr. Dougherty:

Is the list that you have, Mr. White, the one you prepared for me?

The Witness:

That is correct.

Mr. Dougherty:

I would like to have it marked for identification so that it will be identified.

Mr. March:

I object to that and ask that the last question be stricken from the record, the question and the answer, as contrary to the Examiner's ruling.

Trial Examiner:

I don't agree with that. The question was purely preliminary and doesn't involve any material fact.

(The document referred to was marked for identification as Exhibit 52.)

By Mr. Dougherty:

Q. Mr. White, on page 3 you have a heading "Production Plant", and then continuing on page 4, a list of account numbers as set forth in the Uniform Code of Accounts, with the titles of those accounts. With respect to Account 333.1, F[illegible] Lines, did you include in your study and your application of service lives all the field lines as so treated on the Company's records?

A. With the exception of the Company's field lines south of Baton Rouge.

Q. With respect to those in the Monroe Field, does that account include all of those field lines which are designated by the company with the letter "F"?

A. That is correct.

Q. You are familiar with Exhibit 43, which is a diagrammatic sketch or dispatching sketch of the field lines of Interstate?

Mr. March:

Exhibit 43 is an exhibit that your witness presented in evidence, isn't it?

Mr. Dougherty:
Yes.

Mr. March:
I object to any questions with regard to that which this witness is required to testify to. He didn't offer the exhibit; he didn't prepare the exhibit; and since he didn't do that we contend that he can't be cross examined in regard to it. We have tendered Mr. White here as a witness, he has offered a specific exhibit, and we object to any cross examination on any exhibits submitted by the company.

Mr. Dougherty:
My cross examination is not going to that exhibit. I am trying to find out what particular lines were included here, that is all.

Trial Examiner:
The objection is overruled.

The Witness:
Yes, I have looked at that exhibit.

By Mr. Dougherty:
Q. Are the field lines shown on there, with the designation "F", starting with "F-1" up to whatever the various "F" numbers are, the lines that are included in that Account 333.1, and put in as a part of your Production Plant for treatment on the question of service lives?
A. That is correct.

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Re-Direct Examination.

By Mr. March:

Q. Mr. White, I hand you a document marked for identification as Exhibit No. 52, and I will ask you why you did not use the service life figures contained on the face of that document?

A. The service lives applicable to the Transmission Plant were governed by the life of the Monroe Field. That being 35 years, I decided it was more proper to use that and disregard the physical service lives which had no bearing on the functional factors considered.

Q. And would you state that under those conditions it would be unsound to utilize the service life figures contained in Exhibit No. 52?

A. I would recommend the ones on page 9 of my Exhibit 51.

Q. And you are not recommending the ones on the document marked for identification as Exhibit 52?

A. That is correct.

Q. Have you made any agreements with the company in regard to that; has the Commission authorized you to make any agreements with the company in regard to Exhibit 52?

A. No.

Q. Have they authorized you at any time to make any agreements with the company in regard to any of these exhibits?

A. Not in connection with the exhibits, no.

. . . . . .

Mr. Kizer:

No, sir.

Mr. Lange:

I move the admission of Exhibit 51.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection.

Trial Examiner:
Exhibit No. 51 is admitted into evidence.

(Exhibit No. 51 was received in evidence.)

* * * * * *

FRED H. MAGRUDER, called as a witness on behalf of the Commission, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Lange:
Q. Please state your name?
A. Fred H. Magruder.
Q. Where do you reside?
A. Silver Spring, Montgomery County, Maryland.
Q. Are you presently employed by the Federal Power Commission?
A. I am.
Q. In what capacity?
A. As a Principal Examiner of Accounts.
Q. What is your profession or principal work?
A. Accountant.
Q. How long have you been engaged in that kind of work?
A. For approximately 25 years.

Q. And how long have you been with the Federal Power Commission?

A. Since October, 1939.

Q. October, 1939?

A. Yes, sir.

Q. And have you prepared a statement showing your qualifications and experience over a period of years up to and including the period of time that you have been with the Federal Power Commission?

A. I have.

Mr. Lange:

Mr. Examiner, Mr. Magruder may either read that into the record or it may be incorporated in the record by the reporter, whichever is preferable.

Trial Examiner:

Have counsel had an opportunity to go over this statement?

Mr. Doherty:

I am doing it right now, if the Examiner please. I think we can agree that it should go into the record. I have no objection to having it incorporated in the record.

Mr. Kizer:

No objection.

Mr. Martin:

No objection.

Mr. Rightor:

No objection.

Trial Examiner:

The statement of the witness's qualifications will be incorporated in the record as if read.

(The statement referred to is as follows:)

Education—Pace Institute of Accountancy, Kansas City, Mo., and Chicago, Illinois.

Experience—My employment during the last 25 years, which has been almost exclusively in accounting work, related chiefly to the oil and natural gas industries, is as follows:

Federal Power Commission, October 1939 to date.

The supervision of field parties undertaking accounting assignments that involved the examination of accounts and records of natural gas companies under investigation in rate-making proceedings; the preparation of accounting reports in connection therewith; and the coordination of that work with the work of other divisions of the Commission.

Federal Trade Commission—February 1935 to October 1939.

The supervision of work on investigations and, in connection therewith, the preparation of reports and the giving of testimony in public hearings. Many of these investigations were made pursuant to the Robinson-Patman Act which relates to price discrimination; others were made pursuant to Congressional resolutions and covered various industries including the natural gas industry.

Agricultural Adjustment Administration—November 1933 to February 1935.

Under the general direction of the Comptroller of the AAA, the supervision of the accounting phases of investigations of companies engaged in agricultural enterprises, particularly milk producers associations and processing companies, and, the preparation of reports relative to those enterprises. In charge of the Comptroller's regional office in Kansas City, Missouri.

Railroad Commission of Texas—Gas Utilities Division —September 1932 to June 1933.

In charge of a group of four to eight accountants, making an examination of the accounts and records of Lone Star Gas Company and Community Natural Gas Company, for rate-making purposes. This accounting work embraced the determination of the original cost of extensive gas producing, transporting, and distribution properties; depreciation and depletion studies; and the determination of net earnings applicable to the gas utility business over which the Commission had jurisdiction.

Practice of Public Accounting—October 1923 to September 1932.

Engaged in the practice of public accounting for my own account, with offices in Tulsa, Oklahoma, and Amarillo, Texas. Most of my work pertained to the oil and natural gas business and embraced special investigations, audits, and the installation of accounting systems relative thereto. From time to time I did special work in this line for or in conjunction with such firms of certified public accountants as Haskins and Sells, Smith-Brodie and Hunsford, and Rice-Hays Company.

Corsican Oil Refining Company—May 1921 to October 1923.

Served as Auditor for this Company, which was engaged in producing, transporting, refining, and selling petroleum and petroleum products.

Crockett, Couchman and Crawford—Certified Public Accountants—October 1919 to May 1921.

Served as a senior accountant and later, as manager of this firm's Dallas office. Engaged chiefly in conducting audits and in investigations of oil and natural gas companies, and in preparing reports thereon.

Sinclair Refining Company (Chicago, Illinois)—November 1916 to October 1919.

Served as Assistant to Treasurer and as Chief of Staff, performing the duties usually incident to such capacities.

By Mr. Lange:

Q. Mr. Magruder, have you had occasion to be assigned to any work under the Commission's general investigation, Docket G-149, of the Interstate Natural Gas Company, Inc.?

A. I have.

Q. About when did you first begin on that work?

A. About February, 1940.

Q. And where did you do most of the work on that assignment?

A. In the company's offices in Monroe, Louisiana.

Q. What was the purpose of your work there and what did you expect to prepare in exhibit form from the

information that you were to acquire from an examination of the company's books and records?

A. The original cost of the company's gas plant.

Q. The original cost of the company's gas plant?

A. Yes, sir.

Q. And of course you were proceeding, in determining that, having in mind the provisions of the Uniform System of Accounts for Natural Gas Companies?

A. That is right.

Q. Did you, on completion of your investigation, prepare or have prepared under your supervision and direction, an exhibit setting forth the original cost of that company's properties and plant?

A. I did, yes, sir.

Q. Is this the exhibit that you prepared?

A. It is, yes, sir.

Mr. Lange:

I would like to have this exhibit identified, Mr. Examiner.

Trial Examiner:

It will be marked Exhibit 56 for Identification.

(The document referred to was marked Exhibit No. 56 for identification.)

By Mr. Lange:

Q. Mr. Magruder, turning to Exhibit 56, will you briefly explain the manner in which you proceeded in determining the original cost of the gas plant as therein indicated?

A. We conducted an examination into the company's accounts and records for the period from 1926 through December 31, 1940. We made test analyses, detailed analyses, involving about 60 per cent of the dollar value of the plant.

Q. Does your exhibit in its Table of Contents also set forth whatever adjusting entries the examiner has made in connection with that determination?

A. Yes, sir, it does.

Q. And at what page in the exhibit is that; is it at page 11 in the exhibit where you set forth the original cost of the plant as adjusted to December 31, 1940?

A. The total, yes; it begins on page 9 and continues to page 11.

Q. Is the total in dollars of $21,235,613.10 the figure as of December 31, 1940?

A. That is the original cost of gas plant in service.

Q. As of December 31, 1940?

A. Yes, sir.

Q. Now you did not carry the work through the calendar year 1941, did you, through December 31, 1941?

A. No, sir, I did not; that was done by Mr. Rivers.

Q. Mr. Frank Rivers, one of the accountants of the Federal Power Commission?

A. Yes, sir, Mr. Frank C. Rivers.

Q. And he has prepared an exhibit wherein those figures are carried down through 1941, to December 31, 1941?

A. That is correct.

Q. Will you state briefly the purpose of the supporting schedules attached to your exhibit?

A. Schedules Nos. 2 through 32, supporting Schedule No. 1, are for the purpose of showing the principal components making up the primary accounts appearing in Schedule 1, which is a summary of original cost of gas plant.

Q. And in preparing this exhibit and setting up your accounts as you have, you followed the provisions of the Uniform System of Accounts for Natural Gas Companies, didn't you?

A. That is right, yes, sir.

Mr. Lange:
I believe that is all for the present.

Trial Examiner:
Is counsel for the company prepared to cross examine the witness?

Mr. Dougherty:
Yes, if the Examiner please.

Cross Examination.

By Mr. Dougherty:
Q. Mr. Magruder, if I understand this exhiibt it relates to the property in service, as you stated, at December 31, 1940?
A. That is right.
Q. And therefore has nothing in it with respect to any future additions for any period of years beyond that?
A. No, sir.
Q. Nothing in the way of estimates or figures of any sort for any property additions that might have to be made in the future?
A. That is correct.
Q. In preparing this exhibit I think you said you followed the instructions of the Uniform Code of Accounts of the Federal Power Commission for gas companies?
A. Yes, sir, that is correct.
Q. And in that connection would that involve gas plant Instruction No. 16 which is found on page 51 of the Code of Accounts?
A. You don't mind if I take the time to read this, do you?
Q. It is all right with me.
A. It does.

Q. Now the account numbers that cover Transmission Plant I think are shown on page 10 of your Exhibit 56, Sheet 2 of Schedule 1?

A. That is right, yes, sir.

Q. Now account number 353—Mains, with the succeeding sub-accounts under that as shown on page 10 of your exhibit, that is the same, I take it, as Account 353 shown in the Code on page 53?

A. Yes, sir.

Q. And the detailed instructions are found in the Code on pages 65 and 66?

A. That is right.

Q. Will you turn to page 49 of your exhibit. On that page do you have the detail of the various main lines as shown on the books of the company?

A. Certain details, yes, sir, it is a summary.

Q. Well, on lines 1, 2 and 3 of that page where I see the designations T-1 and T-9, those refer to those main lines of the company as carried on its records by those designated numbers?

A. That is right.

Q. And then that detail that is on page 48 is carried forward to your summary sheet back on page 10, to which we have just referred?

A. Yes, sir.

Q. Under the same account numbers?

A. That is right.

Q. Now with respect to field lines, are those covered under Account No. 333.1, as shown on page 52 of the Code of Accounts?

A. That is right, yes, sir.

Q. And that is the same account number with the instructions under it, as is found on page 63 of the Code?

A. Yes, sir.

Q. Now will you turn to page 36 of your exhibit. On pages 36, 37, 38, 39, 40 and 41 are shown individually the field lines of the company, I assume?

A. There are there shown the lines with the designation of the letter "F" preceding the number of the line.

Q. I notice on page 36 that the heading is "Natural Gas Production Plant—Field Lines and Rights-of-Way"?

A. Yes.

Q. Now these designations in the first column, which starts on page 36 with F-1 and continues on down through those succeeding numbers, and to and including page 41, those represent the field lines of the company as shown on its books?

A. As shown on the company's books?

Q. Yes.

A. Yes, sir.

Q. And then is the summary of those sheets shown on page 9 of your exhibit under Account No. 333.1, and sub-accounts which are items 15 through to 19?

A. That is correct.

Q. Referring back to page 36 and the succeeding pages, through to page 41, under Column (g) there are a number of descriptive words, and above Column (g) is the word "Location". What does that mean, that is, what does the word "location" mean; what significance does it have?

A. It shows where the line starts and terminates.

Q. That is, the location of the line in the Monroe Field?

A. That is right.

* * * * * *

Mr. Lange:

I move the admission of Exhibit 56.

Trial Examiner:

Is there any objection to Exhibit 56?

Mr. Dougherty:

We have no objection to this exhibit.

Trial Examiner:

Exhibit 56 is admitted into evidence.

(Exhibit No. 56 was admitted in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, during the course of your work on this assignment you have also prepared some other exhibits, among which was one that set forth the corporate and financial history of the company, is that correct?

A. That is right, yes, sir.

Q. That exhibit was prepared from the information that you had received from the company's books and records to which you had access?

A. Yes, sir.

Q. And from what sources in the company's files, Monroe, or New York, or both?

A. Both.

Q. From the company's offices at Monroe as well as the company's offices at New York?

A. That is right.

Mr. Lange:

I desire to have this identified.

Trial Examiner:

That will be Exhibit 57 for identification.

(The document referred to was marked for identification as Exhibit No. 57.)

By Mr. Lange:

Q. Mr. Magruder, this Exhibit 57 for Identification, does it take into account the entire corporate and financial history of Interstate Natural Gas Company, Inc.?

A. From its inception through December 1940, December 31, 1940, it does.

Q. And will you state briefly what the main sections of the Exhibit are, and what they represent?

A. Well, the exhibit as a whole is an account or a synopsis of the company's organization, control, development and its scope of operations.

Q. I notice that among the items set forth, on page 6 of the exhibit to be specific, is a reference to a bond issue that was at one time outstanding. Has that issue been retired in its entirety?

A. Yes, sir.

Q. When was the last portion of that issue retired?

A. July, 1936.

Q. July, 1936?

A. Yes.

Q. There are presently no outstanding bonds issued by this company?

A. No, sir.

Q. Against these properties?

A. That is right; there are none outstanding.

* * * * * *

Mr. Lange:

No. I move the admission of the exhibit.

Trial Examiner:

Is there any objection to Exhibit 57?

Mr. Dougherty:

No objection.

Trial Examiner:

Exhibit No. 57 is admitted in evidence.

(Exhibit No. 57 was received in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, Exhibit 57, as I asked you, carried the study through the year 1940?

A. Yes, sir.

Q. Was there a subsequent exhibit prepared carrying the operation through 1941, and also setting forth some computations that hadn't appeared in the previous exhibit, over the entire life of the company's operations?

A. You are referring now to the corporate history?

Q. That is right.

A. That is true.

Mr. Lange:

I would like to have this exhibit identified, Mr. Examiner.

Trial Examiner:

It seems to me that it might be well to mark this as Exhibit 57-A for Identification inasmuch as it seems to be directly related to Exhibit 57.

Mr. Lange:

I believe that would be a good idea.

(The document referred to was marked for identification as Exhibit No. 57-A.)

By Mr. Lange:

Q. This was prepared under your direction and supervision, Mr. Magruder?

A. Substantially most of it, yes, sir. The year 1941 was added by Mr. Rivers.

Q. Will you briefly state the nature of this exhibit and what it presents?

A. It presents a computation of the return earned on average net utility plant investment and estimated working capital per books for the years 1927 through 1941.

Q. Now that is the tabulation that begins at page 4, I believe, and extends over to page 5?

A. Yes, sir.

Q. Will you explain the nature of that tabulation and the source of the figures?

A. The source is the company's books.

Q. You have, as Item 18 of that, Estimated Working Capital?

A. Well, I want to correct my statement; that was determined by another study.

Q. That item is not taken from the company's books?

A. No, sir.

Q. How was that estimate arrived at?

A. That was arrived at by another study conducted by Mr. Rivers.

Q. And will be presented in a working capital exhibit?

A. That is right.

Q. Now the figures on the preceding page as to the dividend history, where were those figures obtained?

A. They were obtained from the records in the New York office.

Q. Of the Interstate Natural Gas Company?

A. Yes, sir; with the exception of 1941 they also appear in the corporate history up through December 31, 1940.

Q. In Exhibit 57?

A. Yes, sir.

Mr. Lange:

I believe that is all.

Trial Examiner:

Are you prepared to cross examine on this exhibit?

Mr. Dougherty:

Yes, sir.

Cross Examination.

By Mr. Dougherty:

Q. Mr. Magruder, as I understand Exhibit 57-A, you have taken the net utility plant as shown on the company's books as one of the items?

A. Yes, sir.

Q. And in doing that you have taken the cost of plant as shown on the company's books and deducted from it the depreciation and depletion reserves, as shown on the company's books?

A. Yes, sir.

Q. And that is without giving any consideration to the adjustment or revision of the accrued depreciation and depletion as might have been or may be made by the Power Commission's staff?

A. That is right.

Q. Then you have eliminated all net current assets from this statement?

A. Yes, sir.

Q. And in lieu of net current assets as actually shown on the company's books, you have substituted $348,089 working capital?

A. Yes, sir.

Q. Do you know that in making that elimination of the net current assets, that that takes out of the net worth approximately $2,000,000 for the year 1941?

A. As I said before, I prepared this statement up through 1940 and therefore I wouldn't be able to answer that question with respect to 1941.

Q. Well, wouldn't substantially the same amount of net current assets be taken out of the net worth for the year 1940?

A. It could be. Not knowing what they were in 1941, I wouldn't know.

Q. I am directing my question now to 1940, and I want to know in round figures what net current assets in dollars were taken out or eliminated, in lieu of which you put in the $348,089?

A. Well, the net current assets fluctuate from year to year.

Q. Well, I am asking you what they were for 1940; don't you have it there? And when I speak of net current assets, by that you take cash and all other current assets and then deduct the current liabilities of every kind?

A. That is correct.

Q. And that is the reason, is it not, that when you show your earned return in that line 21 on the second page of the schedule attached to your Exhibit 57-A, you get a higher percentage than you do in your Exhibit 57?

A. Well I believe, in determining the working capital, you take into consideration the needs of the business, and not necessarily the difference between the current assets and the current liabilities.

Q. Well, what I would like is an answer to my question that that is the reason why you get a different percentage?

A. Well naturally, using the amount we have there as estimated working capital would make a difference in the return earned as shown on line 21—

Q. (Interposing.) For example, you show for 1940, on line 19 on the second page of that schedule, an average net utility plant, plus estimated working capital, of $10,826,200.06; whereas when you made your computation to show the ratio of net income to capital in Exhibit 57, on page 30, you had a base of $12,337,132?

A. What page is that on?

Q. Page 30 of Exhibit 57.

A. Yes, that is based on capital stock and surplus.

Q. That would be the company's net worth?

A. That is right.

Q. So what you have done on Exhibit 57 is that you have put in the working capital as found in another study made by the Commission's staff, but you have not utilized or used the revised depreciation and depletion amounts?

A. That is right.

Q. And if you did that, that would bring your net utility plant plus estimated working capital up some few million dollars?

A. Yes, sir.

Q. In this schedule on Exhibit 57-A you make reference to certain adjustments of company surplus. For example, Item 10 on the first page of the schedule, and Item 13, and the same items on the second page—are those the same adjustments to surplus that I asked you about as being shown on Schedule 8 on Exhibit 57?

A. I believe those only included surplus adjustments. These adjustments are also a reclassification—I don't want to call them adjustments—but they also have some effect on plant. For several years the company carried in its uncompleted construction large amounts representing a loop line and a compressor station after they had been placed in service; and we made a reclassification and threw that into plant as of the year it went into service. It didn't change the total.

By Mr. Lange:

Q. Mr. Magruder, Mr. Dougherty asked you concerning the preparation of this computation of return earned on average net utility plant investment appearing in Exhibit 57-A, and whether in computing the figures for the year 1940, for instance, you failed to include current assets of the company in excess of one million and some odd dollars?

A. That is correct.

Q. What current assets are those that are referred to?

A. Well, a substantial amount of that difference would be represented by what is termed temporary cash investments—associated companies, in the amount of $1,896,220.61, the interest on which was not taken into consideration as part of the net utility income used in computing the return earned.

Q. And such interest is not properly part of the net utility income?

A. That is right.

Q. As treated here?

A. That is right.

Q. In this exhibit?

A. Yes.

Q. And that is why that claim of the $1,000,000 plus current assets, as not having been given consideration in the computation of your net utility income, is not applicable properly, that is the claim isn't substantiated because the addition of that item of claimed current assets isn't properly to be included in your current net utility income, is it?

A. The one million dollars plus?

Q. The interest on that wasn't included in your utility income, was it?

A. That is right.

Q. It goes below the line?

A. That is correct.

Q. Then does that item appear in a subsequent exhibit prepared by you, that is the balance sheet prepared by you?

A. That is correct.

Mr. Lange:

That is all.

Trial Examiner:

Do you have any re-cross examination, Mr. Dougherty?

Mr. Dougherty:

Nothing more.

Mr. Lange:

I move the admission of Exhibit 57-A.

Trial Examiner:

Is there any objection to Exhibit 57-A?

Mr. Dougherty:

No objection.

Trial Examiner:

Exhibit 57-A is admitted in evidence.

(Exhibit 57-A was admitted in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, did you also, in connection with your work, prepare a balance sheet as of December 31, 1940?

A. Yes, sir.

Q. And did you prepare an exhibit setting forth that balance sheet, and supporting schedules?

A. Yes, sir.

Q. Is this the exhibit?

A. It is.

Mr. Lange:

I ask that that be marked for identification.

Trial Examiner:

It may be marked as Exhibit 58 for Identification.

(The document referred to was marked for identification as Exhibit 58.)

By Mr. Lang:

Q. Mr. Magruder, turning to page 3 of Exhibit 58 for Identification, under Current and Accrued Assets, an item of $1,896,220.61 is there set forth. That is the item that has just been discussed in connection with your Exhibit 57-A, is it not?

A. That is correct.

Q. Now will you briefly explain the nature of that exhibit and the schedules supporting it?

A. Well, the primary purpose of this exhibit is for the purpose of reflecting the results of the examiners' adjustments which affect the balances of the assets and liabilities as shown by the company's books at December 31, 1940.

Q. Was this exhibit prepared by you or under your supervision or direction?

A. Yes, sir.

Q. And in conformity with the Uniform System of Accounts for Natural Gas Companies?

A. Yes, sir.

Mr. Lange:

That is all.

Trial Examiner:

Cross examination?

Cross Examination.

By Mr. Dougherty:

Q. Mr. Magruder, Exhibit 58 for Identification does reflect the adjustments made by the Power Commission's staff with respect to depreciation and depletion?

A. As of December 31, 1940, yes, sir.

Q. Now did you make a computation of depreciation as adjusted, or did you take that from some other exhibit or some other examiner?

A. I made, or assisted in making, the computation.

Q. How did you make that, that is, what method did you utilize in arriving at the depreciation which you are adjusting in the amount you are setting up as the proper accrued depreciation and depletion in this balance sheet?

A. Well, I will have to refer to the exhibit that was prepared on that.

Q. That is a separate exhibit?

A. Yes.

Q. Will you present that yourself later?

A. I think that is the plan.

Mr. Lange:

Yes, there is an exhibit that will be presented on that.

By Mr. Dougherty:

Q. At any rate, the figures which you have in here representing the adjustment on depreciation then are taken from this other exhibit which specifically deals with depreciation and depletion?

A. Yes, sir, it is incidental to this balance sheet.

Q. And you will be able to explain how you did that when that exhibit is under consideration?

A. Yes, sir.

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, you also prepared, in connection with this assignment, an exhibit setting forth your findings as to depreciation and depletion in the properties of the company, did you not?

A. That is correct.

Q. From the year 1926 through the year 1940?

A. That is correct.

Mr. Lange:

I would like to have this exhibit identified, Mr. Examiner.

Trial Examiner:

It may be marked as Exhibit No. 59 for identification.

(The document referred to was marked for identification as Exhibit No. 59.)

By Mr. Lange:

Q. Mr. Magruder, Exhibit 59 for Identification was prepared by you or under your supervision was it not?

A. Yes, sir.

Q. What does it set forth?

A. Well, in substance the purpose of the exhibit, and what it sets forth is the substitution of depreciation and depletion accruals for the years 1926 through 1940 in lieu of those of the company.

Q. In other words you proceeded with the determination of the proper reserve for depreciation of the gas plant, with your adjustments, as examiner for the Commission?

A. That is correct.

Q. Will you turn to page 9 of the exhibit?

A. Yes, sir.

Q. The figure set forth in the last column, Balance December 31, 1940—$5,329,657.69, is the figure arrived at as of December 31, 1940?

A. Yes, sir, that is the accrued depreciation.

Q. The accrued depreciation in the plant?

A. Yes, sir.

Q. Of Interstate Natural Gas Company?

A. Yes, sir.

Q. How was that figure arrived at?

A. It was arrived at by making computations, or rather applying rates, service life rates—

Q. (Interposing.) What service life rates?

A. Service life rates as furnished by Mr. White—to the original cost of the depreciable gas plant.

Q. You mean the service lives furnished to you by Mr. White as reflected in his Exhibit 51?

A. That is correct.

Trial Examiner:

That was applied to the balance of the original cost for each year?

The Witness:

Yes, sir.

Trial Examiner:

The balance was accumulated over the period, then?

The Witness:

Yes, sir.

By Mr. Lange:

Q. And on page 10 of the exhibit the figures there show the reserve for depreciation as per books of the company as at December 31, 1940?

A. That is correct.

Q. As $9,469,134.04?

A. That is right.

Q. Now turn to page 23 of the exhibit. What does that computation reflect?

A. It shows the reserve for depletion as adjusted for the years 1926 through 1940.

Q. And page 24 shows the reserve for depletion as per books, does it?

A. That is correct.

Q. Of the company?

A. Yes, for the same years.

Q. Now the appendix on page 26, what does that reflect?

A. It reflects the depletion and depreciation factors.

Q. Now the estimated mcf of recoverable gas as of the end of 1940, appearing in the next to the last column, amounting to 857,663,720 mcf, is taken from page 6 of Exhibit 51, isn't it?

A. Mr. White's exhibit, that is correct, yes, sir.

Mr. Lange:

No further questions.

Trial Examiner:

Does counsel for the company have any cross examination?

Cross Examination

By Mr. Dougherty:

Q. Mr. Magruder, as I understand your method of determining the accrued depreciation as represented in Exhibit 59, it is that you took the service lives as pro-

vided you by Mr. White and translated those into percentages?

A. That is correct, yes, sir.

Q. And then did you apply that, year by year, against the gas plant accounts?

A. Yes, sir, the average yearly balances.

Q. Now in respect to making your depletion study, which I think is shown on page 16, are those percentages shown in Column (e), percentages which were furnished you by Mr. White also, or did you prepare those?

A. I prepared those.

Q. And in doing that am I correct in understanding that you take the reserves as shown by Mr. White's exhibit under the operated acreage, as the remaining reserves against which you apply production for that particular year to get your percentage?

A. Operated acreage only.

Q. And such reserves as are estimated by him to be under the unoperated acreage, are not considered in arriving at depletion?

A. No, sir.

Q. In your original cost of gas plant, then, do you include the cost of those unoperated reserves at 100 per cent?

A. I don't believe I understand your question.

Q. What I am trying to find out is this, that since you say you do not deplete the cost of the unoperated reserves do you, in making your original cost study, keep those in the cost of gas plant at 100 per cent of the cost?

A. The unoperated acreage?

Q. Yes.

A. That is right.

Mr. Lange:
No further questions.
I move the admission of Exhibit 59 at this time.

Trial Examiner:
Is there any objection to Exhibit 59?

Mr. Dougherty:
If the Examiner please—

Mr. Lange:
(Interposing.) There was one question I wanted to ask before moving the admission of this document.

Trial Examiner:
Very well.

Mr. Lange:
This Exhibit 59 was prepared in conformity with the provisions of the Uniform System of Accounts for Natural Gas Companies, was it?

The Witness:
Yes, sir.

Mr. Dougherty:
If the Examiner please, there is only one question in my mind. I am not sure whether any of our people have checked the computations made by Mr. Magruder in determining the accrued depreciation. We think they did but I merely want to make inquiry. I will make no objection to the exhibit now but it might be that we would request the opportunity to check, in the working papers, these computations as soon a I can verify the fact of whether we have already done so or not.

Mr. Lange:

Mr. Magruder's working papers are available.

Trial Examiner:

If there is any error in the computation, of course the correction should be made in the record.

Mr. Dougherty:

That is all I had in mind. So I will make no objection to the exhibit, with that understanding.

Trial Examiner:

I presume you have no objection, then, to Exhibit 58 as well?

Mr. Dougherty:

That is right.

Trial Examiner:

Exhibits 58 and 59 ar received into evidence.

(Exhibit Nos. 58 and 59 were received in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Magruder, did you also prepare another exhibit on this assignment covering the matters of the exploration and development costs during the years 1926 through the end of the year 1940?

A. I did, yes, sir.

Q. Is this the exhibit prepared by you?

A. It is.

Mr. Lange:

I desire to have it marked for identification.

Trial Examiner:

It may be marked as Exhibit 60 for Identification.

(The document referred to was marked for identification as Exhibit No. 60.)

By Mr. Lange:

Q. Mr. Magruder, was this exhibit prepared by you or under your supervision and direction?

A. Yes, sir.

Q. And what does it present?

A. The purpose of the exhibit and what it presents is a restatement of the accounting for exploration and development costs of the Interstate Natural Gas Company for the years 1926 through 1940.

Q. And does it also show adjustments that were made by you and other examiners working under you?

A. Yes, sir.

Trial Examiner:

That is, to the company's book figures?

The Witness:

Yes, sir.

By Mr. Lange:

Q. Now you also in that exhibit have a schedule on page 5 showing the figures as they appear on the company's books unadjusted?

A. That is correct.

Q. And the schedule at page 4, does that show the adjustments as finally made by you?

A. That shows exploration and development costs as adjusted, yes, sir.

Mr. Lange:

No further questions.

Mr. Dougherty:
I have no questions.

Trial Examiner:
Does the Louisiana Commission have any questions?

Mr. Martin:
No, sir.

Trial Examiner:
The City of New Orleans?

Mr. Knight:
No, sir.

Trial Examiner:
The City of Baton Rouge?

(No response.)

Mr. Lange:
I move the admission of the exhibit.

Trial Examiner:
Is there any objection to the admission of Exhibit No. 60?

Mr. Dougherty:
No objection.

Trial Examiner:
Exhibit No. 60 is admitted in evidence.

(Exhibit No. 60 was received in evidence.)

Mr. Lange:

I have no further examination of this witness at the present.

Trial Examiner:

That is all, Mr. Magruder.

(Witness excused.)

Trial Examiner:

Call your next witness.

* * * * * *

Mr. Dougherty:

That is all.

Direct Examination.

By Mr. Lange:

Q. Mr. Rivers, in the course of your work on this assignment, did you also have occasion to prepare an exhibit on the Income Accounts of the Company, showing also your adjustments to those entries?

A. On income, did you say?

Q. Yes, sir.

A. Yes.

Q. For the years 1938, 1939 and 1940?

A. Yes, sir.

Q. I will ask you whether that exhibit is in two parts?

A. It is in two parts, Volume I and Volume II.

Volume I contains the text and 13 schedules on the various income accounts. Volume II contains two pages of explanation and is followed by 15 schedules of reclassifications and 15 schedules summarizing the adjustment entries.

Q. Are these the two exhibits?
A. Yes, sir.

Mr. Lange:
I ask that they be marked for identification, Mr. Examiner.

Trial Examiner:
Volume I will be marked Exhibit 62-A for identification, and Volume II will be marked 62-B for identification.

(The documents referred to were marked as Exhibits Nos. 62-A and 62-B, respectively, for identification.)

By Mr. Lange:
Q. Mr. Rivers, where was the basic material secured that entered into the preparation of these exhibits?
A. The basic material was found in the Monroe Office of the Interstate Natural Gas Company, Incorporated.
Q. Monroe, Louisiana?
A. Yes, sir.
Q. And the exhibits themselves were prepared after you had made your examination of the Company's books and records, and had reached your final results?
A. That is correct, yes, sir.
Q. And had made your adjustments as are reflected here?
A. Yes, sir.
Q. Turn to page 4 of Volume 62-A. There is set forth on that page a schedule showing the net utility income as you finally computed it from your figures, for the years 1938, 1939 and 1940, is there not?
A. Yes, sir, that is the net utility income that I arrived at with the available information I had at the time that this was prepared.

Q. Now your schedule on page 11 setting forth the depreciation and depletion figures, the depreciation and depletion figures per books were, of course, those set up on the Company's books and records?

A. Yes, sir.

Q. Now the depreciation and depletion figures of the examiners, were those taken from the figures in your previous exhibit, or rather do they correspond with the figures set up in your depreciation and depletion studies?

A. They were taken from the figures computed, and will be found in the report on depreciation and depletion.

Q. Mr. Magruder's exhibit?

A. Yes, sir.

Q. Were these exhibits prepared in conformity with the provisions of the Uniform System of Accounts for Natural Gas Companies?

A. Yes, sir.

Q. And they proceed through the three years ending December 31, 1940?

A. That is right.

Q. And subsequently there will be another exhibit showing the income through the year 1941?

A. Yes, sir.

Q. As adjusted?

A. That is right.

Mr. Lange:

That is all on direct.

Mr. Dougherty:

I have no questions.

Trial Examiner:

Does the Louisiana Commission have any questions?

Mr. Martin:
No.

Trial Examiner:
The City of New Orleans?

Mr. Knight:
No questions.

Trial Examiner:
The City of Baton Rouge?

(No response.)

Mr. Lange:
I move the admission of Exhibits 62-A and 62-B.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection.

Trial Examiner:
Exhibits 62-A and 62-B are admitted in evidence.

(Exhibits Nos. 62-A and 62-B were received in evidence.)

Direct Examination.

By Mr. Lange:

Q. Mr. Rivers, did you carry forward the work on this assignment through the year 1941, that is, the calender year 1941, and reflect the matters found in an exhibit that set forth the report on the income, plant and

depreciation and depletion reserve accounts for that year?

A. Yes, sir, I did.

Q. Is this the report?

A. That is the report.

Mr. Lange:

I desire to have it identified, Mr. Examiner.

Trial Examiner:

That will be Exhibit No. 63 for identification.

(The document referred to was marked as Exhibit No. 63 for identification.)

By Mr. Lange:

This exhibit, Mr. Rivers, is a combination of the income as well as depreciation and depletion figures through 1941, also carrying the original cost figures through December 31, 1941?

A. Yes, sir, but not in the detail that the reports were from 1938 to 1940—I am speaking of income now—and the other reports that have already been presented.

Q. Will you turn to page 28 of Exhibit 63, Mr. Rivers?

A. Yes, sir.

Q. That shows on that page the balance of investment in gas plant as reclassified as of December 31, 1941, does it not?

A. Yes, sir.

Q. In the sum of $21,287,157.17?

A. Yes, sir, that is the total of gas plant in service.

Q. In service as of December 31, 1941?

A. Yes, sir.

Q. Now turn to page 29 of the exhibit. What does the dollar figure in the last column, (g), $614,896.50, represent?

A. On page 29?

Q. Yes.

A. That is a sub-total. $614,896.50 represents the total of depletion and depreciation expense for the year 1941.

Q. And how was that computed?

A. That was computed on two bases—gas acreage operated is computed on the depletion base, together with certain parts of the production system; and the transmission and the balance of the production system is depreciated on a depreciation base.

Q. In making these computations for the calendar year 1941, Mr. Rivers, you proceeded in the same fashion as Mr. Magruder did when he made his computations for the previous years, did you?

A. Exactly, sir.

Q. Which computations are reflected in his exhibit?

A. Yes, sir.

Q. And on page 1 of the exhibit, your computation there shows the net utility income for the 12-month period ending December 31, 1941?

A. Yes, sir.

Q. $2,386,191?

A. Yes, sir.

Q. And the year 1940 is there set forth and the comparison made between the two years?

A. Yes, sir, that is correct.

Q. I think I forgot to ask you, in connection with your working capital exhibit, as well as this exhibit and the other exhibits that you have here presented—each of those exhibits has been approved and was approved by Mr. Charles W. Smith, Chief of the Bureau of Accounts, Finance and Rates, of the Federal Power Commission?

A. Yes, sir.

Mr. Lange:

No further questions.

Cross Examination.

By Mr. Dougherty:

Q. Mr. Rivers, will you turn to page 6 of your exhibit. You show there that for 1941 the company took in for the sale of gas and transportation revenue, in excess of $1,000,000 over and above what it took in for 1940?

A. Yes, sir.

Q. That is because of the greater sales of gas?

A. I am quite sure it was, yes, sir.

Q. Then when you come down to utility income you show that notwithstanding the fact that the company took in more than $1,000,000 more than it did in 1940, it had net operating revenues of almost $12,000 less?

A. Yes, sir, that is right.

Q. What is the principal item that has taken up that more than $1,000,000?

A. You mean what accounted for that increase?

Q. What accounted for the fact that we had a decrease, actually, in net operating revenues, whereas we had more than a $1,000,000 increase in gross revenues?

A. Well, that is due principally to an increase in gas purchased of $321,676, and an increase in taxes of $795,996.

Mr. Lange:

You mean Federal Income taxes?

The Witness:

Federal Income taxes are only a part of that.

Mr. Lange:

What portion of the increase—

The Witness:

(Interposing.) The Federal income taxes accounted for $658,937.

Trial Examiner:

The first figure you gave there of gas purchased doesn't appear on page 6, does it?

The Witness:

That is on page 3. I was going back to get what made up the difference.

By Mr. Dougherty:

Q. The actual operating expenses of the company as shown on page 6 increased only $307,531, and that is less than the actual increase in gas purchase expense, isn't it?

A. Yes, that is right.

Q. Then also there is one item there of non-recurring expense which was $41,687 less in 1941 than in 1940; is that correct?

A. That is correct.

Q. So that if that expense had been reincurred, the company would have been still further behind on its net operating revenues than it actually was?

A. Well, by the very nature of these expenses that I have entitled Non-Recurring Expenses, they consist of items in the largest part which do not normally recur.

Q. Is any of that rate case expense?

A. Yes, part of it is.

Q. Well, we were still incurring it in 1941, weren't we, and are also still incurring it in 1942?

A. Yes.

Q. What I am merely trying to point out, Mr. Rivers, is that despite an increase of 16 per cent and more in

the gross revenues of the company, it had less net operating revenue than it did in 1940?

A. That is right.

Q. Now are you familiar with the fact that larger Federal income taxes are to be imposed for the year 1942 than were in effect for 1941, and I mean a greater rate of income tax?

A. That is my understanding, yes.

Q. So that if those greater rates of taxation had been in effect in 1941, that decrease in net operating revenues of 1941 over 1940 would be still greater?

A. If they had been in effect, yes, sir.

Q. And if the same operating revenues as shown in 1941 were received by the company in 1942, and the same operating expenses and other items were all the same, yet if the tax rates were higher, that same result of a greater decrease in the net operating revenues will take place for 1942, will it not?

A. When you say "net operating revenues" you of course mean net utility income?

Q. Well, I am reading what you say; I am just reading from page 6 where you say net operating revenues, which I take it are from the operations of the company?

A. I see it.

Q. I am disregarding the question of exploration costs and things like that, I am talking purely about the actual operations.

A. I just wanted to find out. Will you read the question, please?

(The reporter read the pending question.)

A. On that basis, yes.

Mr. Dougherty:

That is all.

Trial Examiner:
Does the Louisiana Commission have any questions?

Mr. Martin:
No.

Trial Examiner:
The City of New Orleans?

(No response.)

The City of Baton Rouge?

(No response.)

Mr. Lange:
I offer Exhibit No. 63 in evidence.

Trial Examiner:
Is there any objection to Exhibit 63?

Mr. Dougherty:
No objection.

Trial Examiner:
Exhibit No. 63 is admitted in evidence.

(Exhibit No. 63 was received in evidence.)

Mr. March:
I requested Mr. Dougherty to produce certain information as to William von Phul's position in the Southern Natural Gas Company, and I believe he has that information here at this time. Will you read that telegram into the record, Mr. Dougherty?

Mr. Dougherty:

Yes. If the Examiner please, I sent a telegram to Mr. von Phul, asking him for this information, and this morning I received a reply which is as follows:

I was never a director of the Southern Natural Gas Corporation, the predecessor of present company stop The Southern Natural Gas Corporation went into receivership and I was chairman of a committee representing the seven dollar preferred stock, and later became a member of the reorganization committee of Southern Natural Gas Corporation and when the receivership was lifted and the property turned over to the Southern Natural Gas Company, the present company, December 31, 1935, I became a director of the present company and have continued as such.

That is signed William von Phul.

* * * * * *

JAMES V. O'CONNOR, called as a witness on behalf of the Federal Power Commission, having been first duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Lange:

Q. State your name, please?
A. My name is James V. O'Connor.
Q. Where do you reside, Mr. O'Connor?
A. Arlington, Virginia.
Q. And by whom are you presently employed?
A. The Federal Power Commission.

Q. And how long have you been employed by that Commission?

A. Since September, 1934.

Q. In what capacity?

A. My present title is Senior Rate Investigator.

Q. What is your business or profession?

A. Engineer.

Q. When were you assigned on work in connection with Docket G-149, Interstate Natural Gas Company, Incorporated?

A. I believe it was about—

Q. (Interposing.) Approximately?

A. February, 1942.

Q. Before I got into that further, I want to ask you whether you have prepared a statement setting forth your qualifications and experience in connection with the work that you have done heretofore?

A. I have.

Mr Lange:

Mr. Examiner, I have submitted this statement to counsel this morning, just a moment ago, and if agreeable the witness may either read it into the record or it may be incorporated into the record.

Mr. Dougherty:

I have no objection to having it incorporated in the record without being read.

Trial Examiner:

The qualifications of the witness will be incorporated into the record as if read.

(The statement referred to is as follows:)

My names is James V. O'Connor. I reside at Arlington, Virginia. I have been employed by the Federal

Power Commission since September 1934. My present position is Senior Rate Investigator.

In that position, my duties include the analysis of the rates and charges for gas and electric services of natural gas companies and public utilities filed with the Commission; preparation of cost allocations; studies of methods and operating costs of the production, transmission, and delivery of natural gas and electricity; studies of market demands, consumption, and utilization of gas and electricity; service life studies; and preparation of exhibits and presentation of testimony in connection with formal and informal proceedings before the Commission in reference to the property, operations, rates, and markets of natural gas companies and public utilities.

I have previously testified for the Commission at Denver, Colorado, concerning the property and operations of Canadian River Gas Company, Colorado Interstate Gas Company, and Colorado-Wyoming Gas Company in the hearings in connection with Docket No. G-124.

I was graduated from the Massachusetts Institute of Technology in 1923 with the degree of Bachelor of Science in Mechanical Engineering. In 1927 and 1928, I attended the night session of the Graduate School of Business Administration of New York University.

From 1923 to 1928, I was employed by the Brooklyn Edison Company. My work with this company included making acceptance test on steam power plant equipment; tests and studies to improve the performance of such equipment; development of improved plant operating methods; preparation of schedules for the coordinated operation of the company's generating plants with the

plants of interconnected companies to reduce capital and operating costs; analysis of the operations of the company and other large electric companies; inventory of property, preparation of forecast of power sales, output, and demands; and miscellaneous tests, investigations, studies, and reports on sundry operating problems.

From 1929 to 1934, I was employed by the American Gas Association. My work with the Association included the collection, compilation and analysis of reports filed by manufactured and natural gas companies; the preparation of reports on the production, transportation, distribution and sale of gas, the operations of gas companies, and the revenues, expenses, income and investment of reporting companies; preparation of economic and engineering data for use of committees of the Association investigating various problems of the gas industry; preparation of data for, or in cooperation with, Government agencies, gas utilities, and others.

By Mr. Lange:

Q. Mr. O'Connor, on your assignment and in connection with the work on the matter of this general investigation, did you have occasion to examine, in detail, the contracts and rate schedules of Interstate Natural Gas Company, Incorporated?

A. I did.

Q. Did you prepare an exhibit setting forth a comparison of the rate schedules and gas sales agreements of that company?

A. I did.

Q. Is this the exhibit you prepared?

A. It is.

Mr. Lange:

Mr. Examiner, I desire to have the exhibit identified.

Trial Examiner:

It may be marked Exhibit No. 64 for identification.

(The document referred to was marked as Exhibit No. 64 for identification.)

By Mr. Lange:

Q. Mr. O'Connor, will you briefly state the nature of this exhibit?

A. This exhibit is a comparison of various provisions of the agreements under which Interstate Natural Gas Company, Incorporated, sells gas to distribution companies and to pipe line companies, and transports gas.

It is divided into four parts. Part A deals with the rate schedules and gas sales agreements under which Interstate sells gas to distribution companies in Louisiana and Mississippi

Q. Distribution companies for resale?

A. For resale, yes, sir.

The term "distribution companies", as used in the exhibit, is as defined in Footnote 1 on page 2 of the exhibit, and includes private companies and municipal corporations which sell gas to ultimate consumers.

Q. Both in the States of Louisiana and Mississippi?

A. That is right.

Part B of the exhibit compares the provisions of the agreements under which Interstate sells gas to Mississippi River Fuel Corporation, Southern Natural Gas Company, and United Gas Pipe Line Company, for the account of Memphis Natural Gas Company.

Q. That is the group of contracts covering gas sold to those named companies to be transported out of the State of Louisiana by those companies?

A. That is right.

Part C of the exhibit deals with the two agreements between—well, it deals with more than two—it deals

with the agreements between Interstate and United Gas Pipe Line Company for sale and transportation of gas for the New Orleans market. Reference is made in Part C, on page 27 of the exhibit, to an agreement under which Interstate transports gas for United Gas Pipe Line Company to a point commonly referred to as Alto.

Q. In the State of Louisiana?

A. In the State of Louisiana, the gas being transported by Interstate from De Siard Station to Alto.

Part D is a list of agreements under which Interstate sells gas directly to ten consumers. It gives the names of the consumers and the location at which they take service. There are also shown the names of two direct consumers served by United Gas Pipe Line Company from the Lirette-New Orleans line, which is jointly owned by Interstate and United.

Q. That list is set forth on page 28 of the exhibit?

A. That is right.

Schedule No. 1 of the exhibit is really a part of Part A of the exhibit, and it shows the names of the distribution companies with which Interstate has sales agreements; and they are separated into two parts, those distribution companies served from the Company's pipe line running from Monroe Field to Baton Rouge, and those companies served by Interstate through the facilities of the United Gas Pipe Line between Baton Rouge and Destrehan.

There is also listed the agreement between United Gas Pipe Line Company and Norco Gas & Fuel Company for the sale of gas for distribution in St. Rose, Louisiana.

For each of the agreements there is indicated in Schedule No. 1 the service area of the distribution company under the agreement, the date of the agreement, the term or period of the agreement, and the rates in effect on June 1, 1942.

Q. Now the rate schedules and agreements that are included in Part B of the exhibit are set forth at pages 12, 13 and 14 of that exhibit, are they not?

A. Well, Part B runs all the way from the lower half of page 12 to the upper part of page 23.

Q. That is right.

Where did you obtain the information that you utilized in the preparation of this exhibit, what sources did you utilize?

A. I think that is stated right here in the second paragraph on page 1 of the exhibit. All of the agreements which bear a Federal Power Commission rate schedule number were filed by Interstate under Order No. 53, or subsequently under Part 54 of the Commission's Provisional Rules of Practice and Regulations under the Natural Gas Act.

Then the agreements for the sale of gas in the 6 communities north and west of the Mississippi River, which take gas from the pipe line before it crosses into Mississippi, were obtained from material filed by the Company with the Commission in connection with proceedings under Dockets Nos. G-181, G-144, G-145, G-146, and G-147.

Then from time to time during the investigation, the Secretary of the Commission requested information from the Company, by letter or otherwise, and it was supplied.

Q. When you referred to Dockets Nos. G-181, G-144, G-145, G-146 and G-147 as the source, the information there contained had been supplied by the Company in those Dockets?

A. I had available some bound volumes containing agreements filed by the Company under some sort of subpoena during that investigation.

Q. In those proceedings?

A. Yes.

Mr. Lange:

I believe that is all.

Mr. Dougherty:

If the Examiner please, since we have received a copy of Exhibit 64 we have partially checked the information contained therein against the contracts, but have not yet been able to complete it. Of course, the only question about the exhibit would be one of accuracy, or whether it represents all of the existing amendments and modifications of those contracts. I think that by Monday we will be able to check that, and I would suggest, therefore, that we merely delay any cross examination on our part until Monday. I don't know that there will be any. It will be purely a question of whether Mr. O'Connor has gotten everything in accordance with our present contracts.

Mr. Lange:

That will be agreeable to Commission counsel.

Trial Examiner:

Ruling is reserved on Exhibit 64.

By Mr. Lange:

Q. Mr. O'Connor, in connection with your work on this assignment in Docket G-149, did you have occasion to prepare another exhibit in connection with the determination of the cost of service performed by this Company?

A. Yes, sir, I prepared an exhibit showing the cost of service for the years 1938 through 1941, and an allocation of the cost of service for the year 1941.

Mr. Lange:

I desire to have that exhibit marked for identification.

Trial Examiner:

That will be Exhibit No. 65 for identification.

(The document referred to was marked as Exhibit No. 65 for identification.)

By Mr. Lange:

Q. Mr. O'Connor, will you turn to the exhibit? There are a number of blank spaces that originally appeared in the exhibit for the insertion of exhibit numbers. The first one appears at page 2?

A. Yes, sir.

Q. What are the exhibit numbers that should be inserted in the blank spaces of the printed text?

A. I think the exhibit numbers to go in there are 56, 59, 61, 62-A, 62-B and 63.

Q. Then further down in that same paragraph, at the end of the second paragraph on page 2?

A. I think the proper numbers are 56, 59 and 63.

Mr. Cooper:

Those all go in the one blank?

Mr. Lange:

Yes, the one blank.

By Mr. Lange:

Q. Is the next insertion at page 12?

A. No, sir, there is a number to be inserted on the last line of page 4; 63 is the exhibit number reference.

Q. And the next one?

A. On page 12, the second line. It should read Exhibit No. 49.

Q. Now, Mr. O'Connor, will you state how you went about the preparation of this exhibit, and what it sets forth?

A. Well, the exhibit sets forth the total cost of gas service rendered by Interstate Natural Gas Company, Incorporated, for each year of 1938 through 1941. It also presents an allocation of the total cost of gas service for the year 1941 between classes of consumers, and between customers served by the Company.

The data used in preparing the exhibit were obtained as indicated on pages 11 and 12. The volume data, showing annual volumes of gas sold and transported, were obtained from information prepared in connection with Exhibit No. 49. The financial data were obtained primarily from exhibits prepared and introduced in this proceeding by the accounting examiners of the Commission.

Q. I note that under sub-section B on the Table of Contents page, the statement appears that the cost of service covers the years 1938 to 1941. Is that December 31, 1941?

A. Yes.

Q. And then in the sub-section C, you state that the allocation of the cost of service is for the year 1941?

A. That is right.

Q. You took the calendar year 1941 for that study?

A. That is right.

Q. What is the basic method you pursued in the preparation of this study, this allocation of cost of service?

A. Well, I have included as cost of service all operating expenses, depreciation, depletion, exploration and development costs, taxes, and a return on a depreciated original cost rate base. The rate of return assumed is 6½ percent per annum. The rate base used for the purpose of the exhibit is—

Q. (Interposing.) That is the adjusted book cost as reflected in the examiner's exhibit presented in this proceeding?

A. Well, it is what I call the net adjusted book cost of plant in service, plus construction work in progress as of December 31, 1941, and plus working capital.

Q. And where is that final figure shown in your exhibit, is that on page 24?

A. The net adjusted book cost of plant in service as of December 31, 1941, is shown in column (4), line 60, on page 24 of the exhibit. The total construction work in-progress as of December 31, 1941, is shown in column (4), line 64, of page 24 of the exhibit. The working capital I don't think is specifically shown in the exhibit. It is as given in—

Q. (Interposing.) The exhibit presented by Mr. Rivers in this proceeding yesterday?

A. Yes, sir.

Trial Examiner:

Your rate base, then, was the sum of the amounts appearing on lines 60 and 64 in column (4) on page 24, plus the working capital?

The Witness:

Yes, sir. As I recall it, the working capital was $347,202. The working capital is shown in Exhibit No. 61. In my exhibit I merely show the result—I show the return on that working capital at the rate of 6½ percent per annum on page 27, lines 61 to 63.

Mr. Lange:

And what treatment of demand and commodity costs did you follow in the preparation of this exhibit?

The Witness:

Well, all the various operating expenses and other items of cost were first grouped together in various functional groups, and then classified as demand or com-

modity costs, based primarily on their predominant characteristics. The classification is shown on page 7, the basis of classification is shown on page 7 of the exhibit.

Trial Examiner:

You don't have a tabulation of those costs grouped in that manner?

The Witness:

Yes, sir. That is shown on Schedule 6, pages 21 and 22.

By Mr. Lange:

Q. What does the schedule at page 16 set forth, Mr. O'Connor?

A. Schedule No. 4, which begins on page 16, shows the annual volumes of gas sold or transported, the revenue received, the cost of service, the excess of revenues over cost of service, average revenue in cents per M. c. f., and average cost of service in cents per M. c. f., all for 1941; and it is broken down to show those figures for each pipe line company to whom Interstate sells gas for resale, and for each distribution company to which Interstate sells gas for resale.

The data for direct industrial customers are grouped, showing the totals for various groups of industrial customers.

Q. That schedule continues on to page 18, doesn't it?

A. Yes, sir.

Q. And at page 18, in line 75, you set forth the totals?

A. Yes, sir.

Q. Now in column (5) you have total revenue of $7,600,072.93. Is that the total revenue for the year 1941?

A. That is the total revenue as I have used it in this exhibit.

Q. For the purpose of the preparation of this exhibit?

A. Yes, it is not the total revenue shown in Exhibit No. 63 submitted by Mr. Rivers.

Q. In what respect does it differ?

A. The differences are explained in the upper part of Schedule No. 8, page 25.

Q. Will you explain the nature of the adjustments that you have made, and the net difference?

A. Well, the total revenues as shown in the accounting exhibit were as given on line 4, column (2), of Schedule 8, $7,572,405.96. And the total revenues as I have used them were $7,600,072.93.

In column (3) as shown there I have added $63,719.99 to the revenues, which represents the amount of Louisiana gas gathering tax billed to pipe line company customers.

Then over in column (4) there are shown three amounts which I have deducted from revenues as shown in the accounting Exhibit No. 63.

The first one, with the footnote (b)—$16,269.42—well, footnote (b) explains it, it is revenue from gas sold to Hope Producing Company in 1935 that was actually billed and paid for in 1941, and it doesn't belong in 1941 revenue for my purposes.

The second item—$768.94, represents an amount received from Southern Carbon Company and United Carbon Company for transportation or exchange of gas in the Monroe Field, and I have treated that as a deduction from Monroe Field expenses.

The last item in column (4), line 3, represents miscellaneous revenues which the Company received in the course of its operations in 1941, primarily rent of houses to employees, which I have treated as a deduction from expense, rather than a revenue.

Incidentally, in the lower part of that Schedule 8 there is another statement which is a reconciliation of

expenses, as shown in Exhibit 63 introduced by Mr. Rivers, and expenses as I have used them in this Exhibit 65.

Q. Then in column (6) at page 18, the figure in line 75 of $5,189,197.39 represents the total cost of service for the year 1941 as computed by you?

A. That is correct, on the basis of a 6½ percent return on the rate base used in this exhibit.

Q. Now what does the total of $2,410,875.54, appearing in line 75 of page 18, represent?

A. It is the difference between columns (5) and (6), line 75; or, as labeled, Excess of Revenue Over Cost of Service.

Q. For the year ending December 31, 1941?

A. That is right.

Mr. Lange:

I believe that is all.

Cross Examination.

By Mr. Dougherty:

Q Mr. O'Connor, while you are on this Schedule 8 at page 25, what is the transportation involved for the $768.94 shown in line 2 under column (4)?

A. It is an amount received from the United Carbon and Southern Carbon companies for accepting gas from them into Interstate's field line system, which gas is considered as part of the delivery to Interstate at some other designated point, and in effect Interstate charges them, I think it is 1/8 of a cent in one place and a quarter of a cent in another, for—I wouldn't call it transportation or exchange, they accept it in one place and consider it as delivered at another place.

Q. It is really a payment which they make to Interstate in the way of a differential because they don't deliver gas at the originally designated point?

A. That is right. I think it is accounted for on the books as though it was a transportation revenue.

Q. It is, in effect, the same as though Interstate paid them just that much less per M. c. f. for this particular quantity of gas?

A. That is right.

Q. And as you say, it is not gas that is taken by Interstate from either Southern Carbon or United Carbon and delivered to some other company. It is gas that Interstate takes into its own system in the field?

A. It is all mixed up in the field line system.

Q. And it purely arises because, as you say, there is a difference in point of delivery from the gas that is delivered generally under their contract?

A. Yes.

Q. In making your allocation of costs, Mr. O'Connor, as I understand your method, particularly on that portion on page 6, you have divided the operations of Interstate into 6 groupings, which you refer to as functional groupings?

A. Yes, sir.

Q. And the first three of those, that is, Divisions 1, 2 and 3, each relates to the production of gas?

A. Yes, sir.

Q. Now in respect—

A. (Interposing.) Production or purchase.

Q. Or purchase?

A. Yes.

Q. Then Divisions 4, 5 and 6 relate to the main line transportation, either by Interstate or the movement of gas to Interstate's customers by United Gas Pipe Line Company, or in this joint pipe line that runs to New Orleans?

A. That is right.

Q. I mean it involves transportation?

A. Yes.

Q. In arriving at your costs with respect to the Monroe Field, do you take all of the costs that relate to all of the property in that field and assign them to that functional division?

A. Do I take all of the property—

Q. (Interposing.) All of the costs that relate to all of the property in the Monroe Field, I will say excluding the De Siard Compressor Station and lines T-1 and T-9, which are still up in that general area?

A. I believe so.

Q. So, as I understand it, you have in your method worked out a cost of production for the Monroe Field that includes all of the cost relating to the wells, and all of the field lines, concerning which we have had a lot of discussion here, that is, all of the field lines as shown on the Company's books as such—

A. Yes.

Q. (Continuing.) —are included in these costs which you allocate to production in the Monroe Field?

A. That is right. Where I have used the term "production operating expenses", it is the terminology used in the Commission's Uniform System of Accounts.

Q. You don't attempt to make any differentiation between the expense in connection with operating the wells and bringing the gas just to the well head, and the field operations, you lump all of that together?

A. That is right.

Q. Then you follow the same method, do you, on Division 2, which is University, La Pice and La Place?

A. Yes.

Q. Of course, we don't own any wells there—

A. (Interposing.) I have taken all the costs of gas purchased in those fields, plus your own expenses which I have allocated to that, and called that the cost of gas purchased in those three fields.

Q. Then with respect to your Division 4, which you call Main line to Baton Rouge, does that include the De Siard Compressor Station and the line T-1 and the line T-9, and other designations with "T" designations down as far as Baton Rouge?

A. That is true.

Q. In Division 5, what do you include? That is the portion you mark Baton Rouge to Destrehan.

A. What property do I include?

Q. Yes.

A. The pipe lines, measuring stations, and telephone system, that you have for service between Baton Rouge and Destrehan.

Q. That relates to the customers served in that area by Interstate, with gas which is transported from Baton Rouge to each particular place where Interstate takes it from the United Gas Pipe Line Company?

A. Yes.

Q. And it would be the facilities of Interstate that are used in making those deliveries there?

A. That is right.

Q. Now does Division 6 include all of the property involved in this line from Lirette and La Fitte, that is, outside of the fields themselves?

A. It includes all the property involved in those joint operations on the La Fitte-Marrerro and Lirette-New Orleans lines.

Q. Is there any property in the fields which serve that line, which you show for Division 3 on page 7, that is involved, or is it purely just a purchase expense?

A. The Company may have some small field lines, but I don't think they have anything of any significance on the Lirette system. I don't think there is anything on the La Fitte.

Q. I guess you show it on page 19 of your exhibit, there under column (5), headed, "Jointly Owned Lines"; that is the expense for this Division 3, is it not?

A. What page?

Q. Page 19 of your exhibit.

Q. That is the amount of money paid for gas purchased.

Q. And that is the whole cost that is involved in that Division 3?

A. As far as Interstate is concerned, yes.

Q. I meant in your cost allocation.

A. Yes.

Q. Now after having separated the operations in these 6 different functional divisions, as I understand your exhibit you then regrouped the operations into four groupings, which are shown on pages 5 and 6?

A. That is right.

Q. So I will understand it, if you will refer to Group 3, which is operations between Baton Rouge and Destrehan, is that a combination of your functional division 2 and your functional division 5?

A. That is right.

Q. So that what this grouping is, is more or less a geographical grouping of the previous functional divisions that you have set up?

A. That is correct.

Q. Am I correct in assuming that in making your determination of costs, you have used a principle or set of principles which involves the consideration of the demand which each customer makes on the pipe line on a maximum day?

A. I have allocated demand costs on a peak responsibility.

Q. Now the first step in making your allocation, as I understand your exhibit, is that you started to allocate, as explained on page 7 under Section E, by allocating certain costs to these functional divisions. Is that the first step?

A. Yes, that would be the first step.

Q. Now with reference to the allocation of production operating expenses, you state there that all of the items having to do with the operation of the wells, and that is all of the gas wells of the Company, were assigned to Monroe Field divisions, and that that is because the Company's gas wells are all located there, is that correct?

A. That is what I state, yes, sir.

Q. Now is that done because the operating expenses in question relate directly to those particular pieces of property there, that is, the operating expenses are incurred in respect of the property that is there in that field?

A. I should say that that is the reason for it.

Q. Now then, when you get to the question of the expenses of field lines, you say you allocate those between Divisions 1 and 2 in proportion to the average adjusted book costs of the field line. Might I inquire whether that is net adjusted book cost?

A. No, sir, it is gross.

Q. That is gross?

A. Yes, sir.

Q. And can we assume that wherever you have used the phrase in here, "average adjusted book cost", it is gross?

A. That is right.

Q. And wherever you have used the net book cost, you have the word "net" in there?

A. That is right.

Q. Now explain why you allocate your cost of operating field lines in proportion to the cost or gross investment in those field lines?

A. Well, the costs are allocated between Divisions 1 and 2 in proportion to the gross costs, excluding rights-of-way. That assumes that the cost of operation is approximately proportional to the investment, within reasonable limits.

Q. I assume that the Company's books do not show any direct division of expense actually incurred on the field lines in Division 2, that is, the University, La Pice and La Place, so that you couldn't pick it out directly?

A. I didn't analyze the books in sufficient detail to determine whether that was true or not; it may be possible that an analysis, voucher by voucher and time ticket by time ticket, might show the figures exactly as between the two divisions, but I didn't go into that detail.

Q. It is your judgment that for all practical purposes the amount of money spent in operating these sets of field lines in the two divisions, Divisions 1 and 2, can fairly be said to follow the investment in each of those fields?

A. That is right.

Q. Now you followed that same principle, I take it, with respect to operating expenses on field measuring and regulating stations?

A. The same general principle.

Q. You again figured that for all practical purposes, the costs expended in operating these facilities can fairly be said to be apportioned in respect to the investment or cost?

A. That is correct.

Q. Now when you come to allocate the cost of superintendence, you do that in proportion, you say, to the total operating labor previously allocated?

A. Yes, sir.

Q. And I take it that is because the superintendence relates to superintending the labor?

A. I think the superintendence as Interstate uses it relates both to operating labor and maintenance labor, but I didn't have any information as to what the maintenance labor division was, so I used operating labor.

Q. But the point I am getting at is—superintendence having to do with supervising the labor, you deemed it fair to take the divisions of labor costs?

A. That is right.

Q. And then put superintendence in that same proportion?

A. That is right.

Q. Now when you came to allocating the transmission operating expenses, you have assigned the compressing station expense all to Division 4, as shown on page 8, which is the main line from De Siard Compressor Station to Baton Rouge?

A. That is correct.

Q. And I assume that that is because that is where those compressor stations are located?

A. That is right.

Q. Now other operating expenses of the transmission lines, you state were allocated in proportion to the average adjusted book costs?

A. That is correct. The same procedure was followed as on the production, the same general principle.

Q. And there you felt that the property base furnished the best means of allocating the money spent in operating and maintaining that property?

A. I felt that it was a reasonable basis for allocating it.

Q. I mean, that is where the money is spent in operating and maintaining that property. Therefore, the adjusted costs of the respective properties might fairly be used as a guide to the division of those operating and maintenance costs?

A. That is correct.

Q. Now with respect to general and administrative expenses, what does the general and administrative expense consist of?

A. Oh, it includes the salaries and expenses of officers and general office employees, rents, insurance, legal services, telephone system operation and maintenance, and operation of automobiles and trucks—those are the primary amounts.

Q. Well, in general it is the sort of expense that is incurred in the over-all operation that is not limited specifically and definitely to either production or to transmission in such a way as you can directly allocate it, as you can where the actual expense of operating and maintaining a transmission line is involved, for example.

A. Yes, most of these administrative and general expenses are applicable to several operations.

Q. For example, the salary of the manager would be included?

A. That is correct.

Q. Included in this, and that would represent his services over the whole operations of the Company?

A. That is correct.

Q. Now you have assigned to Division 4, which is the main line from De Siard to Baton Rouge, certain of these general expenses as recited at the top of page 9?

A. Yes, sir.

Q. And I take it that that is because you felt that those particular items of general expense did primarily relate to that main transmission line?

A. Well, on Workmen's Compensation Insurance, as I understand it, the Company carries that insurance regularly on its employees in Mississippi, which is on the main transmission line; and on operations in Louisiana, Workmen's Compensation Insurance is only carried on major construction work. So I decided that most of the Workmen's Compensation Insurance was applicable to the main line between Monroe Field and Baton Rouge.

Now I decided also that as far as this insurance was concerned, most of it was on the compressing stations.

The telephone system, of course, is—there is a part of the telephone system in the Monroe Field and there is part down the line on these branch lines off United's line, between Baton Rouge and Destrehan, but I decided that such a large part of it represented expense on the

main line between Monroe Field and Baton Rouge, that for the purpose of this allocation it would be reasonable to put it all against it.

Then on this maintenance of general structures, as the Federal Power Commission examiners have revised the accounts or adjusted the accounts, the only item left in general structures was a house at Alto, I believe, occupied by a telephone lineman. So I said that that belongs as part of Division 4.

Q. You were able, with respect to these specific items of general expense, to more or less concentrate them and tie them in with that main line operation?

A. That is true.

Q. That is, they were really expended in connection with the operations of the main line?

A. Correct.

Q. The boats that you refer to here, I suppose those are used when Ouachita River and other tributary streams are at flood in the field?

A. I understand from Mr. Banks that he has to use boats all the time.

Q. Now the rest of the general and administrative expenses you have allocated 50 percent to production operations and 50 percent to transmission. Why did you use a 50-50 relationship rather than, say, a 25-75 or 40-60?

A. Well, I allocated these expenses, these remaining expenses, first on the basis of direct charges excluding the cost of purchased gas and the cost of transportation of gas. And it resulted in such a small percentage of the general and administrative expenses being charged to production operations that I decided that that wasn't fair. Considering the fact that the Company buys over a million and a quarter dollars worth of gas a year from several different producers, and that it sells large volumes of gas to three pipe line companies, and we have had a discussion here about the dispatching and quotas

and things like that, which shows that there is a fair amount of expense involved in handling those sales, and then I know that when a company owns leases in the field it has always got to look out for a great deal of matters involving rights, rentals and taxes, and everything else,—so I decided that the amount of general and administrative expenses allocated to production operations on the basis of direct charges did not represent the fair charge to production operations.

Then I thought about it some more, and I decided that the 50-50 gave a pretty reasonable break-down.

Q. When you say that in your first approach to this you had allocated them on the basis of direct charges, what were those direct charges? That is, in general what items were they?

A. It was the same as though I had spread these general and administrative expenses pro rata over all other expenses, excluding these.

Q. And as it turned out, or as it—

A. (Interposing.) And excluding this gas purchased and gas transported by United.

Q. And it turned out that because there are a great many more dollars spent in the operation and maintenance of the transmission system than in the field, that that resulted in a very small percentage of your general and administrative going to the field costs?

A. That is right.

Q. You felt that there was a lot of activity there that was not represented by actual direct operating and maintenance expense incurred in the field operations?

A. Yes, sir.

Q. With respect to depreciation and depletion, you say that you assigned those directly to these functional divisions from Schedule 7?

A. That is correct.

Q. Will you turn to Schedule 7?

A. Yes, sir.

Q. That is on page 23, I believe?

A. Pages 23 and 24.

Q. Now lines Nos. 1 through to 16, as shown there, cover total production plant—Monroe Field, is that correct?

A. That is correct.

Q. And that is what you have referred to as functional Division 1?

A. That is correct.

Q. So that, on the basis of the annual depreciation and depletion as computed in other exhibits by other examiners, you were able to take those amounts directly and put them in the costs assigned to the Monroe Field operations, that is, you didn't have to do any allocating there?

A. No, I think I explained in the written statement how I got this Schedule 7. Having this schedule, I just assigned those figures as you state.

Q. In other words, these figures shown in column (5) on page 23 are actually the annual accruals of depreciation and depletion as set up by the Commission examiners in these other exhibits?

A. That is right.

Q. And you can just go right to those and find exactly what amount of depreciation is assigned to the field lines, and what depreciation or depletion, whichever way it is computed, is assigned to gas wells, and so forth?

A. I don't think you can get all this detail from their exhibits.

Q. Well, by that I mean—

A. (Interposing.) The totals can be obtained.

Q. If not from their exhibits, the underlying working papers will contain that?

A. That is right.

Q. And these would be exactly the amounts that would be set up for annual depreciation and depletion if these rates as set forth in the staff exhibits were used?

A. That is correct.

Q. What I have in mind is that you didn't have to exercise judgment or allocation there, you took exactly what the percentages bring out against that property?

A. Something like that.

Q. And that would be true, would it not, with respect to these others, that is, you show here on page 23, line 17 to line 22,—that is functional Division 2 of your groupings?

A. That is right.

Q. And then those shown in lines 24 to 34, that is functional Division 4?

A. That is correct.

Q. And on the next page, page 24, lines 35 to 39, that is functional Division 5?

A. Right.

Q. And then lines 40 to 47 are Functional Division 6?

A. That is correct.

Q. And we don't have any functional Division 3 because we don't have any property in the Lirette and La Fitte Fields?

A. That is right.

Q. And you were able to pick up depreciation on the main transmission line and the other functional divisions, in the same way I have just discussed with you with respect to the production system?

A. That is true.

Q. Now with respect to depreciation on general plant, what method did you use in allocating that?

A. As indicated on page 9 of the exhibit, the annual accruals for depreciation of general structures and improvements, communication equipment (excluding the communication equipment on the Lirette-New Orleans

line), and construction overheads on general plant, were assigned to the main line, Division 4. That is similar to the procedure followed in allocating general and administrative expenses.

Annual accruals for depreciation of the remaining general plant accounts were allocated on the basis of average adjusted book cost of plant in each functional division, omitting Division 6, the jointly owned transmission lines.

Q. So there you used property, that is, cost of property, as a basis for dividing the depreciation on general plant?

A. That is true.

Q. Now with respect to taxes, your corporation franchise taxes, you say you allocated those on the basis of adjusted net book cost?

A. Yes, sir.

Q. Was there any reason for using net book cost here as distinguished from gross, or does it just happen to be a coincidence?

A. No, there is a reason. It wouldn't have made much difference which I used, but I believe I used the net because the franchise taxes had to do with stock, surplus, and I decided to split it up on the basis of net. I just can't think offhand right now why I did. I could refer to the working papers and might get an inspiration.

Q. I don't think it is important. These corporation franchise taxes are the ones paid to the State of Louisiana and the State of Mississippi, say?

A. Delaware, also.

Q. Yes, whatever taxes are paid for the right to continue to exist and operate as a corporation?

A. That is right.

Q. That is, they are not property taxes in any sense?

A. No, sir.

Q. You did, however, use cost of property as the basis of dividing that between these various functional divisions?

A. That is right.

Q. Now with property taxes, since certain of those property taxes are shown on the books as applicable to the field and the main line, you took those, of course, as they are actually paid?

A. That is right.

Q. And taxes that are paid, property taxes that are paid to the State of Louisiana with respect to property in the Monroe Field, were allocated or assigned by you to Division 1, that is, the Monroe Field?

A. I didn't go into that detail. I took the total taxes which the Company showed as applicable to field property and I didn't investigate to find out exactly how much of that was applicable to Monroe and to the other fields south. I just took the total tax, representing the tax on Monroe and those other fields, and split it in proportion to the net book cost of plant in those two divisions.

That assumes, of course, that the tax rate in those Parishes is the same and that the assessment is the same percentage of net book cost.

Q. In the first instance, you could determine the field taxes that were applicable to both Divisions 1 and 2 from the Company's books?

A. That is true.

Q. That is, you didn't have to do any allocating in that step?

A. No.

Q. That was a direct application?

A. The amount which would be applicable to those southern fields is such a small part of the total that I didn't think it worth going into a detailed analysis of the tax statements.

Q. Now you were able to pick off of the Company's books the total taxes applicable to the main line and to the properties between Baton Rouge and Destrehan?

A. Well, as I understand it, the term "main line" is used to indicate all property from the Monroe Field to Destrehan.

Q. And that lump sum, though, you could take that right off the Company's books?

A. That is true.

Q. And then when you wanted to allocate that lump sum of taxes paid, you did that on the basis of cost of that portion from De Siard to Baton Rouge and that portion from Baton Rouge to Destrehan?

A. Based on the net adjusted book cost.

Q. Was there any reason for using net adjusted book cost here as distinguished from gross for your allocation fraction?

A. Yes.

Q. What was that?

A. I don't quite understand the last part of your question.

Q. I say, was there any special reason why you used net adjusted book cost in determining this proportion as distinguished from using gross book cost?

A. Well, with regard to taxes, I have assumed that the taxing authorities tax the property on its depreciated value.

Q. So—

A. (Interposing.) So it is proper to split it on the net adjusted cost.

Q. Because you think that the tax is based on the net adjusted cost rather than on the gross cost?

A. Well, I assume that the taxing authorities assess the property on the net value.

Q. Mr. O'Connor, I take it you didn't make any inquiry of the taxing authorities as to what methods they

used in valuing the property, the pipe line property, for taxation purposes?

A. No, sir.

Q. That is, when you say you assumed they used the net value, that was purely an assumption?

A. That is true. The total amount of taxes that could be allocated to this property south of Baton Rouge is such a small proportion of the total taxes that I didn't consider it worth while doing any detailed investigating.

Q. Now with respect to your Federal income taxes, your Federal capital stock taxes and Louisiana income taxes, you say you used the same method as you did with respect to return on the rate base?

A. That is right.

Q. Now with respect to the return on the rate base, as between production and transmission plant you were able to assign that directly without allocation, I take it, from Schedule 7?

A. A large part of it, yes.

Q. Now to start out with, for example, turning again to Schedule 7, page 23, part of the return at 6½ percent on Division 1, that is the Monroe Field operations, is shown there in line 16, column (6), is it not?

A. That is true.

Q. And that is made up of the application of 6½ percent to the net adjusted book costs of these various items of property which you have listed there under Natural Gas Production Plant—Monroe Field?

A. Column (4) of that same statement.

Q. So that as far as determining the return on the Monroe Field operations, you could assign that directly?

A. That is true.

Q. And that is also true, is it not, with respect to the production plant in the University, La Pice and La Place Fields?

A. That is true.

Q. And likewise with respect to the transmission plant, to Division 4 and also Division 5 and also Division 6?

A. That is true.

Q. So you didn't have to allocate return there, it was represented directly with respect to the property itself?

A. That is true.

Q. Now you took certain portions of the return on general plant accounts and assigned those entirely to the main line costs, De Siard to Baton Rouge, just as you have assigned certain other general expenses?

A. Similar to the handling of depreciation and some of the general and administrative expenses.

Q. And the same reasons that you gave before, I take it, would apply here, that is, those things you felt related directly to the transportation from De Siard to Baton Rouge rather than to some other portions of the Company's operation?

A. Related either directly or almost entirely, so that I felt it was reasonable to follow the procedure I did here.

Q. Now with respect to other general plant accounts and return on those, I observe that you used net book cost with respect to those, to divided them between the various divisions except Division 6?

A. Yes.

Q. And there you used property cost for your proportion factor?

A. That is true. I did about the same thing in handling depreciation—

Q. (Interposing.) Going back to the taxes I mentioned a moment ago, the Louisiana and Federal income taxes, excess profits taxes, and Federal capital stock taxes, were you able to pick those out directly as you do return, or did you allocate those taxes on the same proportion as your return comes out in its allocation?

A. After I had allocated the return, including the return on plant in service and construction work in progress and working capital, I had a distribution of that return, and I determined the percentage of the total return applicable to each of those 6 so-called functional divisions, and I allocated Federal capital stock tax, Louisiana income taxes and Federal income taxes in proportion to those percentages.

Q. Now so I will have that clear in my own mind, the total return at 6½ percent as shown in this exhibit, is that on line 60, page 24, plus line 64?

A. No, it isn't. You have to add onto that the return on working capital. The total return is shown on page 27. There is the amount of $978,784.53, and $11,605.77, at page 24. And then the return on working capital—$22,568.13.

Q. I take it those, added up, amount to the return on the total rate base which you show on page 13, of $1,012,958.43 opposite line 22?

A. That is right.

Q. Well now, assuming that—for example, the return on the transmission plant, main line to Baton Rouge, is shown as $572,572.78. Then that roughly is about half the return, or a little less than half, but just for the purpose of my question let's assume that it was half the return. Then would you assign half of this group of taxes to this same property grouping of main line to Baton Rouge?

A. Yes.

Q. That is, after you got your total return you could determine what portion of that total return is represented by the return on Monroe Field, and on the main line, and the other functional divisions?

A. Yes.

Q. Then you spread this group of taxes exactly in accordance with those proportions?

A. That is right.

Trial Examiner:

We will take a recess of five minutes.

(Whereupon, a five-minute recess was taken.)

Trial Examiner:

Counsel for the Company may resume the cross examination of the witness.

By Mr. Dougherty:

Q. Mr. O'Connor, after you had gotten through this determination of cost by these functional groups, then I take it you worked them out on the basis of these four groupings as shown on page 5 and page 6?

A. Yes, sir. I assembled all the costs into those four groups.

Q. Now referring to the costs of gas produced and purchased for the Monroe Field—which I believe is shown on Schedule No. 5, pages 19 and 20?

A. Yes, sir.

Q. When you get down to the bottom of page 20, as I understand your exhibit you show there, under line (3), the dollars which show the total cost of producing and purchasing gas in the Monroe Field?

A. That is in column (3)?

Q. Column (3), yes. One item being that excluding taxes, certain taxes, and another including certain taxes.

Now then, did you relate or reduce that gross cost of gas produced and purchased in the Monroe Field, to a unit price or a unit basis?

A. Yes, I reduced it to a unit basis on the annual volume of gas sold that was produced and purchased in the Monroe Field.

Q. Now in arriving at that cost, that is, the cost of gas produced and purchased in the Monroe Field, did you give any consideration to demand or load factor that

is caused by the demand that maybe the different customers of Interstate, which get gas from Interstate in the Monroe Field, have?

A. I will say that I gave it consideration, but there is no effect in here.

Q. You didn't reflect it?

A. That is right.

Q. So that when you arrived—I take if that the figure you have arrived at, as shown on page 16, is 4.66 cents per M. c. f.?

A. That is correct.

Q. And that represents, according to your computation, the average cost incurred by Interstate, including return, of each M. c. f. of gas which it has available from the Monroe Field, either from production or purchase?

A. That is true.

Q. You didn't attempt to determine whether the Mississippi River Fuel Corporation, in taking gas from Interstate, caused any greater demand on Interstate's production system than did Southern Natural Gas Company, for example?

A. Any greater demand?

Q. Maximum day demand, I should say.

A. Well, I have all the figures on the demands—

Q. (Interposing.) I mean you didn't reflect it?

A. It isn't reflected in the exhibit.

Q. In making your computations, you disregarded any of the demand or load factor elements?

A. That is true.

Q. Now I take it you treated that Monroe Field as a unit, and in effect you are considering that the Monroe Field delivers gas to the main transmission line of Interstate at De Siard, and to Mississippi at Perryville, and to Southern Natural at Perryville, and to United Gas Pipe Line Company at the Memphis Station?

A. That is true.

Q. So that in effect, the field is serving four places of delivery, or four points of delivery?

A. That is right.

Q. And this determination of cost per M. c. f., then, is entirely on the commodity basis?

A. That is right.

Q. That is, where you have mentioned in your exhibit on page 7 under Section 3 with respect to classification of costs, you speak of one classification being demand costs and the second one being commodity costs, and what I want to be sure of is that with respect to the Monroe Field and the cost of gas produced and purchased, and then available for sale in that field or delivery to De Siard Compressor Station, you have done that entirely on that commodity basis?

A. That is right. I considered the commodity basis a reasonable basis for the Monroe Field.

Q. You used the demand factor only in considering sales from or transportation through the main pipe line from De Siard south, and then whatever else is south of Baton Rouge?

A. That is correct.

Q. Now when you start in to determine the costs of gas sold by Interstate from this main pipe line, I assume that with respect to each M. c. f. there would be included this average unit price of 4.66 which you have arrived at as the average cost in the Monroe Field?

A. For sales from the main pipe line?

Q. Yes.

A. Well, not quite that, because I have included the gas delivered to Gulf States Utilities Company at Baton Rouge as part of the main line supply, and all the customers served from the main line between Monroe Field and Baton Rouge are charged at an average rate representing the weighted average of Monroe Field gas and University Field gas delivered to Baton Rouge.

Q. That would be something a little les than 4.66?

A. It is very slightly less than that, not much.

Q. I think the testimony of Mr. Jones was that the wellhead price is 4 cents; and then there is a gathering tax, I think, of half a cent, isn't that correct?

A. That is true, and on that you have got to add return and other operating expenses of Interstate.

Q. So you would come pretty close to 4.66 for the cost of gas at the University Field?

A. That is true.

Q. Maybe above it, I don't know.

A. I don't recollect, it may possibly be that.

Q. What I am getting at is this, that with respect to gas sold from the main transmission line, you charge that an M. c. f. price as a part of the cost in the first place?

A. That is true.

Q. On Schedule 6, both sheets 1 and 2, being pages 21 and 22 of your Exhibit 65, you show the division that you make between commodity costs and demand costs?

A. That is true.

Q. And this is all related to transmission line?

A. All related to transmission, yes.

* * * * * *

(Witness excused.)

Mr. Lange:

I move the admission of Exhibit 65.

Trial Examiner:

Is there any objection to the admission of this exhibit?

Mr Dougherty:

I have no objection, although I don't want it to be assumed that I am agreeing with everything that is in the exhibit. I admit its competency as admissible evidence, but its probative value may not be so high, in my opinion.

Trial Examiner:

Exhibit 65 is admitted in evidence

(Exhibit No. 65 was received in evidence.)

* * * * * *

TESTIMONY OF FRANK H. LERCH, JR.

Q. The question was asked you, Mr. Lerch, by Mr. March, with respect to the approval of the amended contract with Southern Natural Gas Company, as to whether or not the Interstate Natural Gas Company Board of Directors had passed upon and approved that contract, and if so, whether Mr. von Phul voted at that time. Have you made an inquiry as to that from those in charge of the secretarial records or minutes of the Company?

A. I called up the New York office, and asked them to search the minute books and see if that had been the procedure or if there was any reference in the minutes to the approval of that contract, and they advised me on the phone that there was no reference in the minutes to the new Southern Natural contract. I have not checked the minute books myself.

Q. In the making of these contracts for the sale of gas, have you considered it within your executive authority to make them without specific approval from the Board of Directors?

A. I do consider it so. I discuss them with the Directors at meetings, and so forth, but it is the custom not to make a formal minute of all the matters discussed at the meetings.

Q. You make the contracts and then advise them of what has been done so that they will know, and keep up in that way with the business?

* * * * * *

Q. Mr. Lerch, in the original cost exhibit of Mr. Magruder's there have been listed under the head of Production System a number of the field lines of the Company which bear the designations F-1, with many other numbers, that is, consecutive numbers although not entirely consecutive, and Mr. Magruder in his testimony said that he had taken those particular field lines as recorded on the books of the Company and as designated by the books, and had placed them in Natural Gas Production Plant. Do you recall hearing him so testify?

A. Yes, I think I heard that.

Q. In the operation of Interstate Natural Gas Company over the period of years which you have been connected with it, have any of those field lines been considered as part of the main transmission system of the Company?

A. No, they never have been so treated in any way.

Q. As an operating matter, what are the terms used, and that have been used by you in the operation of the Company, in describing the different portions of the production system?

A. Well, we talk about the gathering system and the transmission system and the compressor station department being part of the transmission system.

Q. With respect to the wells, do you give any separate designation to those?

A. We call them just part of the field properties.

Q. Have you, then, at all times in the operation referred to this group of lines, of which I am speaking, as the gathering system of the Company?

A. Yes.

* * * * * * *

Trial Examiner:

Is there any objection to Exhibits 8 to 30, both inclusive? (No response.) Exhibits 8 to 30 inclusive are admitted in evidence.

(Exhibits 8 to 30 inclusive were received in evidence.)

* * * * * *

JAMES V. O'CONNOR, having been previously sworn, resumed the stand and testified further as follows:

Cross Examination (Resumed).

By Mr. Dougherty:

Q. Will you proceed, Mr. O'Connor, with a description of the various corrections which we have agreed upon should be made to Exhibit 64?

A. On page 12, in the second paragraph, second line, it would clarify the text somewhat if the words "of June 1, 1937" were inserted after the word "agreement".

On page 13, in the fourth paragraph, line 3, I state: "Rate Schedule FPC No. 14, an agreement dated October 1, 1933, under which Interstate sold gas to Southern Natural Gas Corporation and its Receivers was superseded * * * by Rate Schedule FPC No. 24".

It has been called to my attention that Article 1 of the agreement, dated April 1, 1941, between Interstate

Natural Gas Company and Hope Producing Company, as sellers, and the Southern Natural Gas Company as the buyer, states as follows:

"Said two agreements between Seller and said Southern Natural Gas Corporation and its Receivers, dated as of October 1, 1933, shall be and the same are hereby revised, altered and amended so that from and after the effective date of this agreement, determined as provided in Article 23 hereof, and subject to the provisions of said Article 23, this Agreement shall constitute the entire Agreement between the parties hereto covering all matters dealt with in said two Agreements of October 1, 1933, arising after the effective date of this agreement."

That is the exact wording of the agreement and as I understand it now, FPC No. 24 does not supersede FPC No. 14, but revise, alters and amends it.

In the second paragraph on page 15 the statement is made that Interstate and Hope have an oral understanding under which Hope is to deliver as much gas as it can under the three agreements under which Interstate and Hope are, shall I say, joint sellers, but that Hope's percentage shall not exceed one-third of the gas sold by both companies.

The agreement between the two companies is oral, and the information that I have there on page 15 is based on information supplied by Mr. Lerch, which I am now advised is not exactly correct, that with respect to the deliveries to Mississippi River Fuel Corporation and the United Gas Pipe Line for the account of Memphis Natural Gas Company, Hope is limited to one-third of the total deliveries by both Interstate and Hope, but for Southern Natural Gas Company, Hope's first amount is 1.25 per cent of the total amount of natural gas sold to Southern by the various suppliers including Interstate

and Hope, United Gas Pipe Line, Southern Carbon, United Carbon, and of that gas delivered by Southern Natural Gas Company itself from the fields west of Monroe Field. And then in addition, Hope is entitled to deliver one-third of the total amount delivered by both Interstate and Hope, excluding that aforesaid amount.

On page 16, under sub-paragraph c., the second paragraph under there, there is the statement made that, "After public hearings, by order dated April 20, 1940, the Commission disallowed the proposed increase in rates" charged by Interstate to Mississippi River Fuel Corporation.

I have beeen advised that by a subsequent order the Commission set aside its order of April 20, 1940, disallowing the proposed increase.

On page 19, under sub-paragraph d., the second line, I state in parenthesis that the adjustment for severance tax under the agreement with the United Gas Pipe Line for the account of Memphis Natural Gas Company is .18 cents per MCF. I took that figure from reports for the year 1941. I assumed that the severance tax had not been changed from 1941 to June 1, 1942, but Mr. Cooper says that Mr. Wilenzick says that the adjustment is now .21 cents per MCF.

On page 26—

Mr. Cooper:

(Interposing.) Isn't the next one on page 21?

The Witness:

Oh, yes.

On page 21, under sub-paragraph c, there is a statement regarding the adjustment of rates to Southern Natural Gas Company for increases in taxes above two-tenths of a cent per MCF. The contract contains a provision which in effect limits the additional amount which

Southern Natural Gas Company will pay Interstate for this tax adjustment, to one cent, because if the tax goes above one cent Southern has the right to notify Interstate that it is going to reduce its purchases, and then Interstate may agree to absorb the excess of one cent in order to continue to deliver the same quantities of gas as it had heretofore. So in effect the one cent is more or less of a stopper.

Mr. Cooper:

And that modifies the two words "any excess"?

The Witness:

To that extent, yes.

On page 26, in the second paragraph there under subparagraph 4, that is not worded very clearly. The idea is that for the total amount of gas required for the New Orleans market first there is supplied gas from the southern Louisiana fields; then of the remainder the United Gas Pipe Line Company is to supply the first 35,000,000 cubic feet a day, on the average; and of the excess, Interstate is to supply 75 per cent over the 35,000,000 a day. Actually the agreement specifies that Interstate is to supply 75 per cent of the excess over 35,000,000 cubic feet a day delivered to DeSiard for transportation by Interstate to Scotland, but included in the contract under that definition is the gas from the University, LaPice and LaPlace fields, which goes into the main line.

In this paragraph that I am discussing, I tried to state in general terms what the effect of the thing was, and I didn't do it very clearly apparently.

In that same Par. 4 on page 26, in the fifth line of the second paragraph under that Section 4, the words "Interstate's 50 per cent share of" should be deleted because the entire amount of gas brought up from the

southern Louisiana field is considered as being subject to the transportation agreement.

On page 29, For Rate Schedule FPC No. 22, the Town of Centreville, the termination date of the agreement should be changed from January 1, 1950 to November 7, 1949.

I believe that is all.

Trial Examiner:

Does counsel for the Company have any further questions of this witness?

By Mr. Dougherty:

Q. Mr. O'Connor, what you have done in this Exhibit 64 is to make a summary of the various schedules and of the important parts of those schedules?

A. That is right, I have left out a great many provisions that have to do with more or less strictly legal considerations.

Q. And for any complete and full check as to those, the contracts which have been introduced in evidence would be the source to which one must go?

A. Yes, of course the contracts are the final evidence.

* * * * * *

Trial Examiner:

Is there any objection to Exhibit 64?

Mr. Dougherty:

None on our part.

Trial Examiner:

Exhibit 64 is admitted in evidence.

* * * * * *

TESTIMONY OF FRANK H. LERCH, JR.

Cross Examination (Resumed).

By Mr. Lange:

Q. Mr. Lerch, I think on the first day of the hearing your attention was directed to the form of stipulation that was entered into prior to the time of the construction of the Mississippi River Fuel Corporation?

A. As contained in a Federal Trade Commission Report?

Q. Yes, as contained in Federal Trade Commission Report, Document No. 92, Part 82, pages 847 through 851.

A. That is right.

Mr. Lange:

We have had copies of those pages made and we desire to offer them for the record.

Trial Examiner:

The document described by counsel will be marked for identification as Exhibit No. 89.

(The document referred to was marked for identification as Exhibit No. 89.)

Trial Examiner:

Is there any objection to Exhibit 89?

Mr. Dougherty:

Mr. Lange, you have compared it with the original text, have you?

Mr. Lange:

Yes, but if there should be any corrections to be made they may be made later. We have had it compared and believe it is an accurate copy.

Mr. Dougherty:

We have no objection to its use and I will accept Mr. Lange's statement as correct. If we find any errors we will bring them to his attention later.

By Mr. Lange:

Q. You have stated that you are President of the Mississipi River Fuel Corporation?

A. Yes.

Q. This plan under which Mississippi River Fuel Corporation was to organize and under which a line was to be constructed, was finally carried out and the line was built?

A. It was.

Q. And it is in operation?

A. It is.

Q. And Mississippi River Fuel Corporation is one of the pipeline companies to whom Interstate Natural Gas Company sells gas?

A. It is, yes.

Q. The requirements of gas of the Mississippi River Fuel Corporation are furnished by which companies, will you name them Mr. Lerch?

A. The Interstate-Hope combination delivery—

Q. (Interposing.) That is the Hope Producing Company?

A. Yes, Hope Producing Company. The Southern Carbon Company; the United Carbon Company; and United Gas Pipe Line Company.

Q. And in what proportion does each of the companies supply the total amount?

A. Well, it varies. The United Gas Pipe Line supplies 45 per cent; Interstate supplies 22½ per cent, that is the Interstate-Hope Producing Company combination; the United Carbon supplies 13 per cent—the rest is divided between the United Carbon and the Southern Carbon. That is, between them they supply 32½ per cent.

Q. My attention has just been directed to the division of percentage appearing in Exhibit 64 at page 14, and the percentages there set forth are: Interstate and Hope—22 per cent; United Gas Pipe Line Company—40 per cent; Southern Carbon Company—21 per cent; and United Carbon Company—17 per cent, making a total of 100 per cent.

A. That is correct. I was remembering the percentages of investment and thinking that the deliveries followed more closely, but this is correct.

Q. Now does the percentage of investment in Mississippi River Fuel Corporation follow that same percentage, or is it different?

A. No, it is a little different.

Q. In what way?

A. Well, that is where my 22½ per cent for Interstate-Hope comes in, for the Standard Oil of New Jersey, rather; and 47 per cent is the United Gas Pipe Line Corporation; and the balance is divided between Southern Carbon and United Carbon.

Q. That is the stock ownership?

A. Yes. I would venture, from my recollection, that the balance is 17½ per cent Columbian Carbon and 13 per cent United Carbon.

Q. Now the manner of supplying Mississippi River Fuel Corporation with its requirements of natural gas under this quota has been carried on continuously under the contracts between these several companies and the Mississippi River Fuel Corporation?

A. Yes, sir.

Q. On this same quota, as stated?

A. Certainly since I have had anything to do with the operations of Mississippi, and my recollection is that by the time the line was ready to receive gas, this present combination of producers was in operation, and that it has always been supplied on that basis.

Q. Now turn to the copy of the stipulation, Mr. Lerch, under the second portion of Paragraph 5, where it is stated:

"The percentages of the total requirements of said pipe line to be supplied by the respective members of the syndicate, or nominees, from the acreage above referred to, shall be as follows:

"Standard—22 Per cent".

Now that is presently supplied by Interstate Natural Gas Company and Hope Producing Company?

A. That is right.

Q. Then it is stated—Columbian, 21 per cent. That is presently supplied by Southern Carbon?

A. Yes.

Q. And Southern Carbon and Columbian are—

A. (Interposing.) Columbian is the parent of Southern Carbon Company.

Q. Then, continuing—"United—17 Per cent". That is United Carbon Company?

A. Yes.

Q. Then—"Electric—20 Per cent". Would that be the United Gas Pipe Line Company?

A. Yes, it is part of their's.

Q. Then—"Moody Seagraves—10 Per cent". Is that part of United's?

A. Yes, that is part of United Gas Pipe Line's delivery.

Q. Then immediately below is mentioned The Palmer Corporation of Louisiana. Is that also included in United Gas Pipe Line Company presently? It is stated as 10 per cent.

A. Yes, it is.

Q. Now turning again to page 14, of Exhibit 64, Mr. Lerch, where the sales to pipe line companies are set

forth, under "Mississippi River Fuel Corporation", and "Supplier", the schedules there indicated show Interstate Natural Gas Company FPC No. 4, and Hope Producing Company FPC No. 3. Those are the schedules under which the gas is being sold to Mississippi River Fuel Corporation?

A. I assume those are the numbers, yes.

Q. Then United Gas Pipe Line Company under Rate Schedules FPC Nos. 9, 10 and 11; and Southern Carbon Company under Rate Schedule FPC No. 3.

Mr. Lange:

At this point, Mr. Examiner, we desire to have those United Gas Pipe Line Company and Southern Carbon Company rate schedules incorporated by reference, so that the provisions of those contracts may be available for the record.

Trial Examiner:

They aren't already in the record?

Mr. Lange:

Not United Gas and Southern Carbon.

Trial Examiner:

Is there any objection?

Mr. Dougherty:

No.

Trial Examiner:

The documents described by counsel for the Commission will be incorporated in the record of this proceeding by reference.

(United Gas Pipe Line Company Rate Schedules FPC Nos. 9, 10 and 11, and Southern Carbon Company Rate

Schedule FPC No. 3 were incorporated in the record by reference.)

Trial Examiner:

I assume these are on file with the Power Commission?

Mr. Lange:

They are, Mr. Examiner.

By Mr. Lange:

Q. Now on that same page, Mr. Lerch, under the heading, "United Gas Pipe Line Company for Account of Memphis Natural Gas Company", sales are there indicated as being made under Interstate Natural Gas Company Rate Schedule FPC No. 6 and Hope Producing Company Rate Schedule FPC No. 4?

A. That is right.

Q. Now will you explain in what manner the group there indicated, that is Interstate, Hope, United Gas, Southern Carbon and United Carbon, make their sales?

A. This contract for the delivery of gas to the Memphis Natural Gas Company was originally made with the United Gas Pipe Line Company and later they partitioned it out among the other three producers, keeping a part of it for themselves, and the deliveries are made at meter runs located at Memphis Station, by each of these individual suppliers, in the percentages called for here. They are billed for the gas delivered by the United Gas Pipe Line Company, who in turn makes the total billing to the Memphis Natural.

Q. In connection with those sales, United Gas Pipe Line Rate Schedule FPC No. 5 and Southern Carbon Company Rate Schedule FPC No. 4 are applicable, and we desire to have those incorporated by reference.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection

Trial Examiner:
The documents described will be incorporated in the record of this proceeding, by reference.

(United Gas Pipe Line Rate Schedule FPC No. 5 and Southern Carbon Rate Schedule FPC No. 4 were incorporated in the record by reference.)

By Mr. Lange:

Q. Now the next sale on that page, Mr. Lerch, page 14, is one to Southern Natural Gas Company, in which the same suppliers of gas above named, plus Southern Natural Gas Company, figure in the picture. Now will you please explain in what manner that gas is sold and delivered?

A. Seventy-five per cent of the total requirements of the Southern Natural Gas Company's line, starting at Perryville, are supplied by the four groups of producers named, or rather by five producers, in the quantities or in the percentages of the 75 per cent of the requirements shown on this page.

Q. I note that the sales there made by United Gas Pipe Line Company are under Rate Schedule FPC No. 44; by Southern Carbon under Rate Schedule FPC No. 7; and by United Carbon under Rate Schedule FPC No. 2.

Mr. Lange:
I desire to have those rate schedules incorporated in the record by reference.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection.

Trial Examiner:
The rate schedules described by counsel for the Commission will be incorporated in the record of this proceeding by reference.

(United Gas Pipe Line Company Rate Schedule FPC No. 44, Southern Carbon Rate Schedule FPC No. 7, and United Carbon Rate Schedule FPC No. 2 were incorporated in the record by reference.)

Mr. Lange:
In addition to those named, Mr. Examiner, I note that Hope Producing Company's schedules are not in the record, so I desire to also include Hope Producing Company Rate Schedules FPC Nos. 3, 4 and 8, by reference.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No objection.

Trial Examiner:
The rate schedules described by counsel will be incorporated into the record of this proceeding by reference.

(Hope Producing Company Rate Schedules FPC Nos. 3, 4 and 8 were incorporated in the record by reference.)

By Mr. Lange:

Q. Now Mr. Lerch, the operations of Interstate and of these several companies named in connection with the sale and delivery of gas, have been substantially the same during the time that these rate schedules have been in existence, haven't they, I mean the mechanics of the operation? The rates may have changed but the mechanics of the operation have been substantially the same over the life of those contracts?

A. I think so, yes.

Q. And gas is presently being served under those rate schedules?

A. That is right.

Q. During the first day of this proceeding, I believe, the Secretary of the Louisiana Commission read into the record a statement in connection with the origin of the complaint proceeding in Docket G-132, and also stated that subsequent to the proceedings before the Louisiana Commission the matter was taken by the Interstate Natural Gas Company, Incorporated, into the United States District Court.

We desire at this time to incorporate into the record an excerpt from the Bill in Equity that was filed in that proceeeding, if Mr. Lerch will identify it.

Trial Examiner:

That Bill was filed by the Interstate Company, was it?

Mr. Lange:

That bill was filed in the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, by the Interstate Natural Gas Company, Inc., against the Public Service Commission of Louisiana.

The Witness:

What do you want me to do, Mr. Lange?

Mr. Lange:

I will show it to Mr. Dougherty first.

(The document was handed to Mr. Dougherty for examination.)

By Mr. Lange:

Q. Mr. Lerch, the copy of the Bill that I have before me, certiifed by the Clerk of the United States District Court for the Eastern District of Louisiana, indicates that it was served on June 2, 1939, is that correct?

A. It appears to be correct, yes, sir.

Q. And Paragraph XIII is part of that Bill, which is sworn to by Alden T. Shotwell and Henry P. Dart, Jr.?

A. That is right.

Q. Were they attorneys for the Interstate Natural Gas Company in that proceeding?

A. Yes.

Q. And it was sworn to on May 30, 1939?

A. That appears to be the case.

Mr. Lange:

I would like to read a paragraph from that Bill into the record, which is Civil Action No. 38.

Trial Examiner:

Is there any objection?

Mr. Dougherty:

We have no objection to that part going in. I suggest that it be copied by the reporter, to save time.

I do have this thought in mind, Mr. Examiner, that maybe we would want to have either other portions of that Bill, or the entire Bill, incorporated into the record. Either I can take time today to determine that or, if the Examiner prefers, between now and the time

we convene at Washington, I can examine it and offer such parts there as I might wish to.

Mr. Lange:

Of course whatever portion, or all of it, that counsel desires, would be agreeable.

Trial Examiner:

Oh yes, counsel should certainly have that right. I would suggest that counsel examine the document and prepare any parts of it which he wishes to offer, and offer those parts at the next session of the hearing.

Mr. Dougherty:

Very good.

Mr. Lange:

And we will prepare copies of that portion which is desired to be incorporated in the record at this time, and supply counsel with those copies. I understood that the Examiner desired to have it copied?

Trial Examiner:

Without objection the reporter is directed to incorporate the particular paragraph referred to, into the record, as if read.

Mr. Lange:

I will indicate the part. It is contained in the Paragraph marked "XIII", beginning with the words "Your petitioner further shows" and so forth, on page 9 of the Bill, down through the sentence ending with the words "transactions in interstate commerce", on page 10.

(The portion of the document referred to is as follows:

"XIII.

"Your petitioner further shows that the gas transported, marketed and sold by your petitioner is divided into six general types or classifications, to-wit:

"(a) Gas sold and delivered by your petitioner at wholesale to the following purchasers, namely;

1. Mississippi River Fuel Corporation—which gas is sold and delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

2. Southern Natural Gas Company—which gas is sold and delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

3. United Gas Public Service Company and its assignee, United Gas Pipe Line Company, for the account of Memphis Natural Gas Company, which gas is delivered by your petitioner to Memphis Natural Company at its compressor station site located in Ouachita Parish, Louisiana;

4. Arkansas-Louisiana Gas Company (successor to Arkansas-Louisiana Pipe Line Company)—which gas is delivered to the aforesaid purchaser at its compressor station site located in Ouachita Parish, Louisiana;

5. United Gas Pipe Line Company, as assignee of United Gas Public Service Company (assignee of Dixie Gulf Gas Company), which gas is delivered to the aforesaid purchaser at the compressor station site of Arkansas-Louisiana Gas Company located in Ouachita Parish, Louisiana;

6. United Gas Pipe Line Company, as assignee of United Gas Public Service Company,—which gas is delivered to the aforesaid purchaser at the compressor station site of your petitioner at Fowler, in Ouachita Parish, Louisiana;

that all of the aforesaid gas is sold and delivered by your petitioner pursuant to the terms and provisions of certain contracts entered into between your petitioner and the aforesaid purchasers and their assignors, which contracts provide for and contemplate that said gas shall be sold and delivered as a part of and in furtherance of the interstate activity of said purchasers and of petitioner; that said gas is produced by petitioner, transported, marketed and delivered in interstate commerce; that the same moves in a constant uninterrupted, and continuous flow from the mouths of the wells from which it is produced through pipe lines belonging to your petitioner to the compressor stations, above set forth, thence without any interruption or without at any time ever coming to rest into and through the aforesaid compressor stations and through and into states other than the State of Louisiana and into and through other states, and that said gas is so destined from the moment of its production, and that none of said gas is produced for or is at any time sold or used in local consumption or intrastate commerce; and that said sales of gas so made by your petitioner are transactions in interstate commerce."

Mr. Lange:

That is all I have of Mr. Lerch.

Trial Examiner:

Is there any re-direct?

Mr. Dougherty:
No, sir.

Trial Examiner:
Does the Louisiana Commission have any questions?

Mr. Sherer:
None.

Trial Examiner:
The City of New Orleans?

Mr. Coleman:
No, sir.

Trial Examiner:
That is all, Mr. Lerch.
Does the Federal Power Commission have any rebuttal evidence to present at this time?

Mr. Lange:
May we have a five minute recess?

Trial Examiner:
I believe I asked if there were any objections to Exhibit 89, and I heard none. Exhibit 89 will be admitted into evidence.

(Exhibit No. 89 was received in evidence.)

* * * * * *

Mr. Lange:
Mr. Examiner, I desire to read into the record an excerpt from the testimony in Docket G-144, by R. H. Hargrove, Vice President of the United Gas Pipe Line Company.

Trial Examiner:
Is there any objection?

Mr. Dougherty:
No obection.

Trial Examiner:
Proceed.

Mr. Lange:
This commences at line 1, page 48, and runs through and including line 5, page 49, and reads as follows:

"Q. And the United Gas Corporation owns the United Gas Pipe Line Company 100 per cent?
A. It owns the stock 100 per cent, and it owns $23,000,000 of debentures. There are a small amount of assumed bonds in the hands of the public.
Q. But the general management and control of the activities of the Gas Pipe Line Company are in the hands of the United Gas Corporation, are they not?
A. To such an extent as stock ownership controls, that is correct.
Q. Yes. The United Gas Corporation is in turn controlled by the Electric Power and Light Company, isn't it?
A. Through stock ownership, yes, sir.
Q. Which is in turn controlled by the Electric Bond and Share Company?
A. Well, I think that is correct. I don't recall the figures as to how much interest Electric Bond and Share now owns in Electric Power and Light, but I think that is correct.
Q. But it is generally accepted as being the company in control of Electric Power and Light?
A. Yes, it is.

Q. Do you know the extent of the interest of the United Gas Corporation in the Mississippi River Fuel Corporation?

A. It is approximately 47 per cent stock interest.

Q. By far the biggest stockholder in that corporation, are they not?

A. Yes, sir."

Mr. Lange:

May it be stipulated into the record that the Union Producing Company is owned by United Gas Corporation?

Mr. Dougherty:

I am agreeable to that.

Trial Examiner:

The stipulation is approved by the Trial Examiner.

Mr. Lange:

That is all for the present.

Trial Examiner:

You have no rebuttal evidence to offer at this time?

Mr. Lange:

Not at this time.

Trial Examiner:

Do I understand that you have some other evidence to offer in your case-in-chief?

Mr. Lange:

We will have some testimony to be presented by Mr. Smith, Mr. Charles W. Smith, Chief, Bureau of Accounts, Finance and Rates; and also testimony to be presented

by Mr. Joseph of the Commission's staff, on rate of return.

Trial Examiner:

Does the Louisiana Commission have any further evidence to offer at this time?

Mr. Sherer:

None.

Trial Examiner:

The City of New Orleans?

Mr. Rightor:

No, sir.

Trial Examiner:

Counsel will be expected to have prepared and ready for presentation to the Trial Examiner at the next session of the hearing, the proposed corrections to the transcript through today's session.

Mr. Dougherty:

Very well.

Trial Examiner:

The hearing will be recessed for the purpose of taking the testimony of the Company's rate of return expert and the testimony of the Commission's rate of return expert, and the testimony of Mr. C. W. Smith, on June 30, 1942, in the Commission's hearing room in the Hurley-Wright Building, Washington, D. C., at 9:45 o'clock, a. m.

The hearing is now recessed.

(Whereupon, at 3:00 o'clock, p. m., the hearing was recessed to Washington, D. C., at 9:45 o'clock, a. m., June 30, 1942.)

* * * * * *

Trial Examiner:

Please come to order.

The Trial Examiner has received a telegram from the Louisiana Public Service Commission indicating that counsel for that Commission and for the City of Baton Rouge would not be present this morning. They also requested that some arrangement be made whereby two copies of all exhibits be sent to the Louisiana Public Service Commission, one of which would be for their files, and the other for the City of Baton Rouge. I presume counsel will be glad to comply with that request. And a similar arrangement should be made with respect to the exhibits for the City of New Orleans; in other words, copies of each of those exhibits should also be sent to them.

Mr. Dougherty:

I take it that we can just send those direct to them?

Trial Examiner:

Yes, I think that would be the more satisfactory plan.

Counsel for the Company reserved the right to offer additional portions of the Petition filed in the Federal Court, a part of which petition counsel for the Commission had read into the record. Is counsel now prepared to present those additional portions, or indicate whether he has any such portions to offer?

Mr. Dougherty:

Yes, we are.

After giving consideration to the matter, it seemed to Respondent that the record would be incomplete unless

there was included all of the allegations in this petition, and we have prepared copies of the petition itself, together with the affidavit of F. H. Lerch, Jr., that was filed in that case, upon which the Court acted on application for a preliminary order, and also the opinion of the Court on the preliminary application, and the opinion of the Court on final hearing. We would like to put each of those documents in evidence as an exhibit, in order that the entire picture and all of the story as it affects that particular lawsuit may be available in the record for such reference as may be necessary.

We have had these copies prepared, and while they are not certified, we have compared them and are certain that they are correct, but of course they may be subject to any further check that counsel for the Commission may desire to make.

Trial Examiner:

I suggest these documents be marked for identification.

(The documents referred to were marked as Exhibits Nos. 90, 91, 92 and 93, respectively, for identification.)

Trial Examiner:

I think it would be well for counsel to identify these particular documents with their exhibit numbers.

Mr. Dougherty:

The documents from the case of Interstate Natural Gas Company, Incorporated, versus Louisiana Public Service Commission, in the United States District Court for the Eastern District of Louisiana, Baton Rouge Division, to which I have made reference, have been marked for identification as follows:

As Exhibit 90, the Petition; as Exhibit 91, an affidavit of F. H. Lerch, Jr., submitted in the case upon the

application for a preliminary order; as Exhibit 92, the Opinion of the Court, a statutory three-judge Court, upon the application for a preliminary order; and Exhibit 93, the Opinion of the Court on final hearing upon the final merits of the case.

I would like to offer in evidence Exhibits 90 to 93, inclusive.

Trial Examiner:

Is there any objection?

Mr. Lange:

No objection.

Trial Examiner:

Exhibits 90 to 93, inclusive, are admitted in evidence.

(Exhibits Nos. 90 to 93, inclusive, were received in evidence.)

Trial Examiner:

Counsel for the Company may proceed with the introduction of his evidence.

Mr. Dougherty:

Still with reference to this same lawsuit in the Federal Court in Louisiana, Mr. Alden T. Shotwell, who was one of counsel in that case, appeared as a witness in Docket G-146 before the Federal Power Commission, which involved an investigation of Interstate Natural Gas Company, Inc., and Hope Producing Company, and Mr. Shotwell was cross examined by Mr. Lange in this case, that is, in Docket G-146, concerning this particular litigation. And I would like to introduce, by reference, the cross examination of Mr. Shotwell, which is found in the transcript of the hearing for January 24, 1940,

commencing at page 296 and extending through to page 306, that is including page 306.

Mr. Lange:

Is that the entire cross examination of Mr. Shotwell?

Mr. Dougherty:

I think it is.

Mr. Lange:

No objection.

Trial Examiner:

It seems to me that it might be advisable to have the reporter just copy that into this record, rather than to incorporate it by reference. It would certainly simplify matters so far as a study of the record is concerned.

Mr. Dougherty:

That would be preferable, I am certain.

Trial Examiner:

There being no objection, the reporter is directed to incorporate that portion of the record in Docket G-146 to which counsel has referred, into this record as if read.

Mr. Lange:

I wanted to know if there were any corrections that were made to that portion of the transcript. If so, it will be copied as corrected?

Mr. Dougherty:

That can be copied from the official transcript in the Commission's files, and all corrections there will be noted.

(The portion of Docket G-146 referred to, being cross examination of A. T. Shotwell, pages 296 to 306, inclusive, is as follows:)

"Mr. Gorman:
Yes, we have.

The Trial Examiner:
Thank you.

Cross Examination.

By Mr. Lange:

Q. Mr. Shotwell, you testified yesterday on direct examination in this case, did you not?

A. Yes, sir.

Q. And you stated at the time that you are attorney at law practicing and a resident in the State of Louisiana?

A. Yes, sir.

Q. That you have your law offices there located in the same building with Hope Producing Company and Interstate Natural Gas Company?

A. That is correct.

Q. And that you have represented both companies, wich are the same companies in this proceeding, for a number of years, connected with their legal matters?

A. That is correct, yes, sir, in the State of Louisiana.

Q. And in connection with that representation that you have represented them before the regulatory body or bodies of that State?

A. Yes, sir.

Q. Of Louisiana, and specifically in a proceeding before the Louisiana Commission comparatively rece tly?

A. Yes, sir, during the latter part of last year.

Q. Latter part of last year, which proceeding subsequently reached a three Judge Federal Court?

A. That is correct.

Q. That proceeding had its origin before the Louisiana Public Service Commission or what is the correct, the exact legal name of that body?

A. That is the state regulatory body, Louisiana Public Service Commission.

Q. They have regular dockets of cases pending before them, I suppose?

A. They do.

Q. Do you know whether that was Docket No. 2720?

A. If you will permit me to refer to my file, I think I can give you that accurately.

Yes, sir, that is No. 2720.

Q. Now, you participated in that proceeding as counsel for the companies throughout the proceeding before the Commission?

A. As one of the counsel.

Q. As one of the counsel?

A. Yes.

Q. To what extent did you participate in that proceeding?

A. Well, I was rather active. I conducted the examination of the witnesses and the presentation of the evidence.

Q. And the preparation of the pleadings?

A. Well, I cooperated in that. The only pleading in the Commission that was filed on behalf of Interstate was an exception to the jurisdiction and that was prepared jointly by my firm and by the law firm of Dart & Dart who are practicing at New Orleans.

Q. You were the active participant of your firm in that?

A. Yes, sir, I was.

Q. And in connection with the briefing of that case, also?

A. I was active in that, yes, sir.

Q. And there was a brief filed by you on behalf of the company in that case with the Louisiana Commission?

A. Yes, sir.

Q. In which you participated in the preparation?

A. That is correct.

Q. This is the brief that was filed, that is one of the copies of the brief that was filed?

A. Yes, sir, that is a copy of our brief before the Commission.

Q. I will have the Stenographer please identify it.

(The document referred to was marked 'Exhibit No. 31' for identification.)

By Mr. Lange:

Q. Mr. Shotwell, at page 82 of that brief—

A. (Interposing.) I have a copy if you want to hold yours. What page, Mr. Lange?

Q. Page 82. The statement appearing therein, 'Sales Made by Interstate to Mississippi River Fuel Corporation, Memphis Natural Gas Company, Southern Natural Gas Company, Dixie-Gulf Gas Company, and Arkansas-Louisiana Pipe Line Company Are Sales Made in Interstate Commerce', that is the heading of that particular section as it appears on page 82?

A. That is correct.

Q. And that is followed with the statement:

'As has been stated above, Interstate sells gas to the five pipe line companies above named who purchase the gas for the purpose of transporting it in their respective pipe line systems into foreign states and there disposing of it to others.

'This gas is marketed by Interstate under contracts which contemplate its sale and delivery, for the purposes and under the conditions set out in the preceding paragraph.

'The destination of the gas is fixed, prior to its production, and it comes from the mouths of the wells earmarked for interstate commerce and immediately commences its interstate movement—at no time from the moment it flows from the mouths of the wells until it reaches some distant state is its forward motion interrupted—it never comes to rest in the State of Louisiana, and its movement is continuous from the wells to the respective compressor stations of said purchasers through the pipe lines of Interstate, thence through the compressor stations and pipe lines of the purchasers to its ultimate destination in the distanct states. It is not treated for the extraction of gasoline or other by-products nor is it passed through any processing or treating plant of any kind and is at no time placed in storage and never comes to rest from the beginning of its interstate journey at the well from which it is produced until it reaches its final destination in some state other than Louisiana.'

'While it is true that, during this movement, title changes at the respective compressor stations of the purchasers, this change in title does not in any manner interrupt the steady and continuous flow of the gas in its interstate transportation; nor does the change in title in any manner affect the interstate character of the transaction.'

Those are statements incorporated in that statement made by you in behalf of the company in that proceeding?

A. That is correct, yes.

Q. You are still of counsel for the two companies, the Hope Producing and the Interstate Natural Gas Company?

A. Yes, sir.

Q. And you stated yesterday that you had considerable to do with their daily or continuing activity in operation, that hardly a day passed that you did not have some legal problem to take up with them or they to take up with you?

A. Well, of course, that is generally true. The offices of those two companies and our firm are in the same building and it is very convenient, the contact is, and there are quite frequently instances where various matters are discussed.

Q. And this statement contained in that brief was presented to the Louisiana Commission as one of the positions of the company in that proceeding?

A. That was what we were advocating, yes, sir.

Q. Mr. Shotwell, you confer with the directing heads of the company very frequently as to their course of operation, do you not?

A. I do not see Mr. Lerch very often. I have contact with Mr. Salisbury who is the assistant treasurer and is located in the Monroe office and with Mr. John Gordon who is the present resident manager of the company.

Q. Well, those officials with whom you do have contact are the ones that have more or less charge of the company's manner and character of operation?

A. Well, as to local operations, I would say that is true. With the question of company policies and matters of that type, I would rather think Mr. Lerch would determine that.

Q. Well, you counseled with him in connection with that proceeding in Louisiana, didn't you?

A. That proceeding originated back in 1937, if I remember it, and whether or not we counseled with Mr.

Lerch before we filed the exception to the jurisdiction or not, I do not know. Mr. Lerch was in Louisiana when the matter was argued before the Commission and you see it was tried some month or two before it was actually argued and before this brief was filed. Mr. Lerch was not there at that time. He was in Louisiana when it was argued but it is my recollection that this brief had been prepared and printed before Mr. Lerch came to Louisiana. I do not know whether he saw it before it was printed and filed or not.

Q. But it was intended to and did reflect the company's position in that procedure?

A. As I understood it, yes.

Q. And you were in charge of the particular handling of that particular phase of the case?

A. The legal end of it.

Q. And you have just stated that you represented both the Interstate Natural Gas and the Hope Producing Company a number of years?

A. Yes, sir.

Q. And knew their problems and discussed them very frequently with the managing officials?

A. That is true.

Q. How do you reconcile the position taken there with the position the company is taking at this time?

A. I think the position in both cases is entirely consistent. One of the grounds upon which we resisted the jurisdiction of the Louisiana Public Service Commission was that Interstate was neither a public utility nor a common carrier and while I did not prepare the proceedings in the matter now pending before this Commission, my understanding and impression of the position of Interstate and Hope at this time is that they are neither a public utility nor a common carrier.

Now to that extent, I think the position is entirely consistent.

Q. Is the Hope and Interstate position the same here as it was before the Louisiana Commission with reference to this purchase and—rather the sale and delivery of gas to the Mississippi River Fuel as recited under that particular section?

A. I do not know whether I am qualified to answer that or not because as I told you, I took no part in this matter here until I arrived the other day. In fact, I do not know anything about the preparation of these papers but my understanding is that the present Federal Power Commission Act exempts gathering systems and production of gas and, of course, that was not involved in the matter pending before the Louisiana Public Service Commission. We resisted, in that case, jurisdiction on three grounds, first, the company was neither a utility nor a common carrier and, in the alternative, that if it should be held it were either or both, that the State Commission would have no jurisdiction over it because of the interstate characteristics of its business.

Q. That proceeding never has been heard on its merits?

A. No, the Commission rendered a decision that was somewhat ambiguous. However, it did take jurisdiction and we applied for a rehearing asking that it reverse its findings and, in the alternative, that it clarify the position as announced in its findings of fact, but our application for a rehearing was denied and its original ruling reinstated and we then went into the Court to test the jurisdictional question and that is the thing that is now pending in the Federal Court.

The Trial Examiner:

When was that proceeding begun in Federal Court?

The Witness:

I can give you almost the exact date.

The Trial Examiner:
Approximately.

The Witness:
I think it was in the early part of last year. It was shortly after the decision—I have a chronological statement of the proceedings, if you want the record to show it I can give it.

The Trial Examiner:
No.

By Mr. Lange:
Q. Now, Mr. Shotwell, you stated you participated in the subsequent proceedings before the three Judge Federal Court?
A. Yes, sir.
Q. And the position of the company in that proceeding was the same that they took before the Louisiana Commission?
A. That is true. The same legal questions were raised in that case as were raised before the Commission.
Q. Now, the State of Louisiana has a Conservation Commission, does it not?
A. Yes, sir.
Q. That regulates and has to do with the manner and kind of production, the spacing of wells, the location of wells, the safety features and all such matters pertaining to field conditions?
A. A great many of those features are covered in a legislative act that controls them. The Conservation Department, however, is the State administrative body which is charged with the enforcement of those.
Q. With the enforcement?
A. Yes.

Q. And that body functions and your companies are subject to their interpretations of those particular phases of the Act or any rules that that body may make?

A. Well, I do not know that I would go that far. I think if any question of interpretation of the law was involved, that it would ultimately find its way to the Court for decision. In fact, that has been done.

Q. With reference to the matters of conservation?

A. Well, this was with reference to a violation of a rule or regulation of the Commission not dealing with the question of the production of gas but they are generally charged with the enforcement of the duty of seeing that the conservation laws are observed.

Q. And your companies, of course, conform with the provisions of those conservation laws and the Conservation Commission's regulatory processes?

A. Yes, sir.

Mr. Lange:
I think that is all.

Mr. Dougherty:
I have no questions.

The Witness:
Did you wish for the record that date?

The Trial Examiner:
No."

Mr. Dougherty:
I wish to call Mr. Coffman.

Whereupon,

* * * * * *

The Chairman:

The hearing will come to order.

This is a hearing in the matter of the Interstate Natural Gas Company, Incorporated, the Louisiana Public Service Commission, Complainant, against the company. It is a rate proceeding under the Natural Gas Act instituted by the Commission on its own motion on December 5, 1939, following the filing of a petition on May 23, 1939, by Louisiana Public Service Commission.

In the said petition the Public Service Commission alleges, in substance, that the rates and charges of the Interstate Natural Gas Company appear unjust and unreasonable; that in response to a show cause order as to said rates and charges, Interstate had resisted, claiming lack of jurisdiction of the State Commission over the company's properties and operations.

On May 11, 1942, the City of New Orleans, Louisiana, filed its petition asking leave to intervene in the proceedings. Petition was granted by Order of May 15, 1942.

On May 12, 1942, the Commission entered its order consolidated Dockets G-149 and G-132 for the purposes of hearing thereon, and fixing the date and place of public hearing to be held in proceeding on June 15, 1942, at Baton Rouge, Louisiana.

By a subsequent order of May 26, 1942, the date and place of hearing were changed to June 17, 1942, at New Orleans, Louisiana. The said order of May 12, 1942, authorized the participation of interested State Commissions in the said hearing, pursuant to which authority the Chairman, the Commissioners, and the Secretary of the Louisiana Public Service Commission entered their appearances and were present throughout the hearings at New Orleans.

On June 1, 1942, the City of Baton Rouge, Louisiana, filed its petition asking leave to intervene in the pro-

ceeding. The petition was granted by order of June 3, 1942. Pursuant to the provisions of the Commission's orders of May 12, 1942, and May 26, 1942, the public hearing in the proceeding was begun at New Orleans on June 17, 1942, and conducted from day to day until June 23, 1942, on which date the hearing was recessed, to reconvene in Washington.

On June 30, the recessed hearing was resumed at the Commission's hearing room, and, upon reception of additional evidence submitted by Interstate and by Commission counsel, the hearing was formally closed on July 1, 1942. The present hearing is pursuant to an order which I am going to ask the Court reporter to incorporate at this place in the proceeding.

(The order referred to is as follows:)

ORDER GRANTING ORAL ARGUMENT.

United States of America.

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper, Basil Manly, and Clyde L. Seavey. John W. Scott not participating.

September 9, 1942.

In the Matter of:

Interstate Natural Gas Company, Incorporated.

Docket No. G-149.

Louisiana Public Service Commission, Complainant

v. Docket No. G-132.

Interstate Natural Gas Company, Incorporated, Defendant.

Upon application of Interstate Natural Gas Company, Incorporated, filed August 21, 1942, requesting that it

be granted permission to present oral argument before the Commission, en banc;

The Commission orders that:

Oral argument on the issues raised at the hearing herein be had before the Commission, en banc on October 14, 1942, at 9:45 a. m., in the hearing room of the Commission, 1800 Pennsylvania Avenue, N W., Washington, D. C.

By the Commission.

LEON M. FUQUAY,
Secretary.

The Chairman:

At this point I would like to have the several parties make their appearances for the record.

Mr. Dougherty:

For the Respondent, Mr. C. W. Cooper, 30 Rockefeller Plaza, New York, Mr. A. T. Shotwell, of the firm of Shotwell and Brown, Monroe, Louisiana, Mr. William A. Dougherty, 30 Rockefeller Plaza, New York.

Mr. Burns:

Francis B. Burns, City Attorney of New Orleans, and Mr. Warren O. Coleman, Associate Counsel for the City of New Orleans, representing the Intervener, City of New Orleans in this proceeding.

The Chairman:

Any other appearances to be noted?

Mr. Lange:

Mr. Chairman, there was received by the Secretary of the Commission a communication dated October 10, 1942,

from the City Attorney of Baton Rouge. Attached to that is a written argument styled "Argument in Behalf of the City of Baton Rouge, Intervener." In the letter of transmittal, counsel for the City of Baton Rouge states that it is not possible for him to be present today, and he would like to submit this for Commission's consideration, if possible, and he did not send the required number of copies, so the required number of copies may be made up here if the Commission desires to give it consideration.

The Chairman:
Will that be satisfactory to you, Mr. Dougherty?

Mr. Dougherty:
Yes, sir.

Mr. Lange:
Additional copies are now being prepared.

The Chairman:
The oral argument to be presented today should confine itself to the presentation of the chief points at issue in this proceeding. While the Commission does not otherwise wish to limit the scope of argument, our time is limited. Therefore, we must ask that counsel deal with specific questions in as brief a manner as possible under the circumstances.

The order of proceeeding will be for counsel for the Interstate Natural Gas Company, Incorporated, to open the argument, to be followed by counsel for Intervener, City of New Orleans, then by counsel for Federal Power Commission; counsel for Interstate will close the argument.

At this time I would like to ask the counsel about how much time they feel that they will need for their argu-

ment. I would like to urge, in asking that, that you limit the time required as much as possible because the Commission has a good deal of work on hand.

Mr. Dougherty, about how much time do you think you will need?

Mr. Dougherty:

I think it would take me probably a minimum of an hour and no more than an hour and a half. I will try to compress it just as much as I can.

The Chairman:

Will that be your first appearance or including both?

Mr. Dougherty?

My thought would be to try to consume an hour; no more than an hour, in my opening. Then whatever time is necessary. I may have to deviate from that, depending on the current of the questions and so forth.

The Chairman:

We appreciate that.

Mr. Coleman:

About ten or fifteen minutes.

The Chairman:

Thank you.

Mr. Lange:

That period of time is agreeable with counsel for the Commission.

The Chairman:

If we proceed right along, we ought to be able to keep this hearing within the confines of the morning. I hope

we can do that. What the Commission would like, as I have suggested, is to have the opening argument, so far as possible, cover every point which the counsel desire to bring to the attention of the Commission. The closing argument should cover matters in reply to counsel for Intervener and counsel for the Commission.

Mr. Dougherty, you may proceed at this point.

OPENING ARGUMENT ON BEHALF OF THE RESPONDENT BY WILLIAM A. DOUGHERTY.

Mr. Dougherty:

If the Commission please, I feel that anyone who has heard the recital by the Chairman of the period consumed in the hearing of this case must be impressed with the fact that it only took seven days to make up the record in this rate case. Since I have participated in one or two other rate cases which ran, at one instance, as high as 101 hearing days, I think it is worthy of comment, because it was accomplished as a result of following the procedure that the Commission initiated by order last year providing for pretrial conferences and agreements as far as possible on the various issues.

Solely as a result of that, we were able to carry on these conferences and to make up our record in those few days.

It, of course, is not as large a rate case as some of the others, but it does present most of the problems, and we did attempt to limit it so far as possible.

The Interstate Natural Gas Company operates in Monroe Field in Monroe, Louisiana. It produces gas in that field, it purchases gas in that field. It has about 56,000 acres of gas lands there, and in the field it sells gas to three pipeline companies which radiate from that field.

The Mississippi River Fuel Corporation extends northwardly through Arkansas, St. Louis, East St. Louis, Illinois, and northward.

Southern Natural Gas Company extends eastwardly through the States of Mississippi, Alabama, and Georgia.

Memphis Natural Gas Company, as its name implies, runs to Memphis, Tennessee.

The maps which we put in in order to designate and diagram the properties of the companies, one at the Commission's right, is Exhibit 5. That is a map of the outlines of the Monroe Field showing in different colors the acreage that is owned by Respondent in this case and by five other producers in that field, the whole five of them, I think, owning together about 77 percent of the acreage. The green acreage is that owned by Respondent. There are a few pieces of pink coloring which acreage is owned by Hope Producing Company, which is an affiliated company, since all of its stock is owned by Standard Oil Company of New Jersey. It has only about five or six hundred acres so it doesn't enter into the picture.

The brown shown on the map is owned by Union Producing Company, which is a producing affiliate of the United Gas Pipeline Company.

The yellow is that of Southern Carbon Company. That company is a subsidiary of the Columbian Carbon Company, a company that, through some of its other subsidiaries has been before this Commission.

The blue, which is scattered at different places on the map, is that of United Carbon Company, which is a company engaged in the production of gas in that field as well as elsewhere in the United States, and is primarily engaged in the business of carbon black in addition to that of natural gas.

That map outlines, therefore, the location of Respondent's acreage with respect to these other producing companies and shows the tie-in that exists in the field and how the acreage is intermingled.

On the map which is at the left, the Commission's left, which is Exhibit 6 in the case, is again shown acreage not of all of those companies, but of the Respondent, which again is green.

The yellow acreage which likewise is shown on the previous map as the Southern Carbon Company acreage and the blue acreage which is that of the United Carbon.

The reason only those two companies are shown is that Respondent buys gas from those two and does not buy gas from the Union Producing Company. It does buy from Hope Producing Company, but its pieces are small and located in about the center portion of the map.

Also on this map is shown the entire field operation of the Respondent. You will note the black lines that extend at different places, and those are the lines which extend from the wells on down through the various connections to points of delivery in that field.

Probably the Commission cannot see from this distance where the wells are located, but they generally are at the ends of these little black lines, as you see them.

One group of wells clear at the top of the map which is a group of high pressure wells, then another group in about the middle portion, with lines radiating to and from those wells. Then over here at the center left and again down at the lower left. That constitutes the field system and if I, in my naive way, use the term "gathering" at times, it is not to try to give any legal implication to it, but because, as a practical matter, for 50 years or more, lines of this character in the field have been called "gathering lines" by the industry. So this

is the gathering system of the company, and it finally terminates at a point on this map where the word "Fowler" is located.

The Chairman:

Are those dark lines what you are referring to as "gathering lines"?

Mr. Dougherty:

Yes, all those lines from that portion of the map up (indicating) are gathering lines. That point marked "Fowler" is placed where the main transmission line of the company begins. At Fowler is a compressor station, the main compressor station of Respondent, and that is termed De Siard compressor station. From that point, running in a southeasterly direction, is a 22-inch main line that continues to Baton Rouge.

The Chairman:

May I ask you another question about those lines? That line where you point to the end of the gathering line, now extending back toward the field—no, not so far back—there seems to be a junction point there.

Mr. Dougherty:

Yes.

The Chairman:

Is that the place where the general lines converge in the field?

Mr. Dougherty:

Well, that is where what you might call two sets of them converge. That is, at that particular point you see extending to the left that point, and that point is right near where the word "Parish" is in Section 17, are a

number of wells, and those wells produce gas which is taken by this group of field lines and over to this junction point there.

That gas may then go on down, on the lines I am indicating, which are F-51 and 53, to Fowler, may tie into this line tie F-59, but normally not. It normally goes in this direction (indicating).

Then gas which gathers from this group of wells where the word "Spencer" is, again goes down to Fowler.

The Chairman:

What is the purpose of that lighter line you said it might get into?

Mr. Dougherty:

F-59. That is a new line that was built last year that starts here and runs all the way up to—right up at this point I am indicating, the junction F-204. It was an additional line, 16-inch line, put in in order to increase capacity for getting gas from this middle area on down to Fowler.

The Chairman:

What is the size of the other line down there?

Mr. Dougherty:

The line F-51, to which I am pointing, is the 10-inch line.

F-3 is either 10 or 12—12-inch—the line radiating from this westerly part, 6 and 8-inch. The line F-3, which starts again at this junction point and goes in a northwesterly direction is 12.

The line I am indicating, F-118, is six.

Here where I am indicating line F-204 is 12-inch. Near it is F-103: 8-inch.

And F-206, going up clear to this upper portion of the map where high pressure wells are located, it is 12-inch.

The Chairman:

Thank you very much.

Mr. Dougherty:

Now, from this point at Fowler commences that main transmission line. The three deliveries which I have mentioned as having been made, or two pipe lines in the field, are made at a point which is marked on the map here as "R" and "V". It lies in Section 24, it looks to be, in this Range 4-E, and at those two points are located the main compressor station of the Mississippi River Fuel Corporation, whose pipe line then starts and runs northwardly and also on an adjoining piece of land is located the compressor station of Southern Natural Gas Company, whose pipe line runs eastwardly from that point.

The third pipe line at which delivery is made is indicated at point W, where I am pointing, and there is the compressor station of Memphis Natural Gas Company.

At those three points are where each of the respective lines named commence their journey from the Monroe Field on to their respective points of delivery. There also is sold in the field to United Gas Pipe Line Company a quantity of gas that eventually gets to New Orleans. I have differentiated that from these three which I have mentioned because of the fact that it is taken into the compressor station of Respondent along with all other of its own gas commingled without any different designation.

There is no measurement of the gas at that point, and the contract provides that Interstate has the right to

supply a certain percentage of the market for New Orleans that United Gas Pipe Line Company supplies when the quantity of gas which moves to New Orleans from this pipe line system exceeds 35 million cubic feet a day.

The gas is measured actually at the point of delivery, which is at Baton Rouge. It is mixed up and is a part of the New Orleans situation, which I think should have and deserves separate treatment in this case. So far that reason I have distinguished it and I think it does deserve different treatment, from the three particular sales to these different pipe lines which radiate from this field.

Then, starting at Fowler is the main pipe line, and on the middle map on the easel, in the upper left-hand corner is at the start of that line.

The 22-inch line then runs all the way down to Baton Rouge as indicated where I have pointed.

The Respondent sells gas at points between Baton Rouge and New Orleans as indicated on this map, Exhibit 7 by little squares. It owns no main pipe lines beyond Baton Rouge, but has a contract with United Gas Pipe Line Company under which United Gas Pipe Line Company transports this gas and then redelivers it to Interstate at small lateral lines through which Interstate delivers to its own customers, and those are shown and indicated on the map.

At the lower—immediately lower—right-hand corner of the map is shown the City of New Orleans which is the terminus of the United Gas Pipe Line Company from Baton Rouge and which is the size of the market through which gas moves from Monroe Field.

This Monroe Field was first brought in, I think, in 1918. It was at that time not known how extensive it would be. It was used principally for carbon black purposes and for furnishing the needs of the communities in that area.

The markets, of course, were small and it was 1926 before any long distance pipe line was built from that area, and that was the Respondent's line.

It came about more or less in this fashion: there is a power station at Sterlington in that field, which is, I think, a Louisiana Power and Light Company station, and in connection with the increase of size of that station, the company employed the firm of Ford, Bacon, and Davis to make a survey of this Monroe Field to find out whether or not there would be adequate reserves to supply it and to work out some plan of doing so. The result of that study indicated not only that there was adequate gas to supply that power station with fuel, but there seemed to be great reserves there that could be utilized elsewhere. There was no particular market nearby, but Ford, Bacon, and Davis, being of a mind toward encouraging projects upon which they might serve as engineers and contractors, conceived the idea that it might be possible to build a pipe line from the Monroe Field to Baton Rouge for the purpose of supplying the refinery of the Standard Oil Company of Louisiana with gas for fuel.

They made this survey around 1923 and '24, and after an investigation by the Standard Oil Company of New Jersey, which is the parent company of the Louisiana Standard Oil Company, the New Jersey Company decided that it was a feasible thing. that they could use the gas for fuel at the refinery and thereby eliminate the use of oil, the residuals which in that period were worth more to sell than they were to burn in the refinery for fuel. Consequently, Ford, Bacon and Davis were employed to assemble acreage and get a project together.

Originally they contemplated assembling a hundred thousand acres in the field, but the Southern Carbon Company and the United Carbon Company, both of

whom had been in that field since the early twenties and possibly had owned the acreage before then, would not sell their acreage. So the size of it was shrunken to initially about 46,000 acres; now, as I say, around 56,000.

Contracts were made both with Southern Carbon Company and United Carbon Company to buy gas in order to put the requisite amount of reserves behind the line, the line was built, and on January 3, 1927, first deliveries were made to the refinery at Baton Rouge.

The first full year of operation, it is interesting to note that through the pipe line sales were made of 22 billion plus of gas to industrial customers, and only 401 million was sold to communities for resale. That shows how predominant was the industrial character of the line. That is why it was built.

There was not an adequate market to justify any lines to supply these communities. The business of the company, therefore, in the first instance, was that of selling gas to the refinery at Baton Rouge and to these communities along the line.

Now, you have a few small communities before you get to the Mississippi River, and those are indicated along this line on Exhibit 7, and the line crosses the Mississippi at Natchez. Natchez was taken on as a customer. I think that manufactured gas had been distributed there previously.

The line continues on through Mississippi and a few little towns were connected up to the line, none of which had had any gas service before, but used coal and wood, wood mainly, for their cooking and heating requirements.

It again enters Louisiana north of Baton Rouge and serves a few smaller communities as it extends on down to Baton Rouge. The City of Baton Rouge at that time had a manufactured gas plant and a contract was made to change over to natural.

The character of business that the company, therefore, first engaged in was primarily the sale of industrial gas really to one customer. It has changed since then so that its business is still, so far as the pipe line is concerned, primarily the sale of gas to industrial customers and at Baton Rouge.

When the line was built I think no one conceived of a great increase in industrial growth at Baton Rouge, but the fact is that there has been a great growth with certain types of chemical plants. The Ethyl Gasoline Corporation has one, Semet Solvay has one, and the Gulf Electric Company built a large steam generating plant at that vicinity, and it takes tremendous quantities of gas for fuel.

The second character of the business for the pipe line is the sale of gas to these communities, and we have 10 distributing companies to which we sell gas which serve 18 different communities, and we sell gas to 7 municipal plants in Mississippi and Louisiana in both instances. We have 10 industrial customers. We engage in the business of transporting gas from the Monroe Field from the DeSiard Station down to Baton Rouge. At Baton Rouge the connection exists with the line of the United Gas Pipe Line Company, and delivery is made of that gas to it there. It, in turn, then transports it and sells it at the city gate of New Orleans to the New Orleans Public Service Company.

A part of the gas which is delivered by Respondent at Baton Rouge to the United Pipe Line is gas which Respondent sells and for which it has paid a field price. Those contracts, I might remark here, incidentally, now are not on a fixed price basis, but on a fraction basis or percentage basis.

For transporting the gas from Monroe down to Baton Rouge, Respondent received 4/9 of the weighted average gate rate at New Orleans, which, as I say, is a gate rate

between United Gas Pipe Line Company and New Orleans Public Service. For that portion of the gas which it delivers to United at Baton Rouge for which it is paid—that is, from its own production in the Monroe Field—it gets 4/18 of the weighted average profit. In each instance there is a minimum or there was a minimum before certain adjustments were made this year of five and a half cents for the transportation charge and three and a half cents for the field price for gas.

The pipe line started, as I say, with this particular market, and at that beginning New Orleans had not been connected, but in 1929 the New Orleans market came on through the building of this additional line and the contracts were made in which Respondent participated in that market.

In 1929 these pipe lines radiating from the Monroe Field were built. The Mississippi River Fuel Corporation started then and commenced deliveries in 1930. Southern Natural started about that same time. I think Memphis Natural, the construction began in 1928, but all about that same period, just at the beginning of the depression era, these additional markets came on and that, of course, required considerable additional capital expenditures.

When additional wells were drilled in the field, the gathering system had to be expanded and the line was looped partially between Monroe and Baton Rouge. That process was continued through the year and finally the business, for example, of comparative size, in 1941 the company sold around 66 billion cubic feet of gas. That doesn't include the transported gas which United Gas delivered to it.

The pipe line capacity in the first instance was about 77 million cubic feet per day when it was constructed. The pipe line capacity now is 170 million cubic feet, so that there has been a tremendous growth in the busi-

ness of the company, and, therefore, in the necessity for it to prepare itself to meet these demands.

At the beginning of the conferences which were held with the Commission's staff, we, of course, attempted to and did agree on a number of items which are normally at issue in a case of this sort. The question of original cost was accepted as the Commission put it in. We followed the practice that whenever the Commission's staff put in an exhibit to which we would take no exception, we simply made no response to it. We accepted that as so. If there were certain items in the exhibit to which we did take exception, we would put in an exhibit in which we did call attention to those items. We did not attempt to duplicate the portions of the Commission's reports with which we agreed.

After we had gone along for some time and long before the hearing, or before the hearing began, we got on to the point where Mr. Smith or Mr. Zinder or ourselves made some suggestion about trying to work out some new rate that might satisfy this investigation, and after negotiation back and forth, the company finally accepted the cost figures of the Commission's staff as indicated on their own studies at that time with respect to the sales of gas which the company makes to the communities for resale. Those are the ones that the Louisiana Public Service Commission is interested in, for example. And we did file a new schedule which became effective August 1, fixing a gate rate of 15 cents for the first 25 million cubic feet per month, and all over that of 12 cents.

I might say that the form of that schedule pretty much was worked out with Mr. Zinder and his staff, and so we did accept and put those rates into effect.

I want to say frankly now that after we went through the hearing and when we had made some further studies I am willing to admit that your staff out-traded us. I

think that rate is too low. I think it is too low by at least three cents. They indicated that on the basis of their figures, with tax reductions that should be taken into consideration, we made an excess of six and a half percent return of about $135,000 on that business. Of course, you can't hit those things right on the nose and come out with a rate that doesn't involve several decimals. We did finally agree on this rate.

There were many factors involved. For example, Baton Rouge claims it ought to have a lot lower rate than anybody else because it has got a field right by it. The attempt was made to get a uniform rate. We had two towns, Baton Rouge and Natchez, that are the biggest customers. That is why we put the 25 million block in because everybody else takes smaller quantities and has no industrial gas, and they all pay 15 cents. Baton Rouge and Natchez had industrial customers and it brings them to an average rate somewhere between 12 and 15, depending on the quantity of gas they get.

After we worked this thing out, I think it has turned out on the basis of our 12 months, say, from the middle of this year to the 12 months—I mean 12 months beginning the middle of last year—that instead of reducing those rates by $135,000, this schedule reduced them $160,000, so that I am frank to say that I think had we waited until after our case was finished, I don't believe we would have taken 15 cents. I think we would have, I say, averaged about 3 cents. Nevertheless there it is, and we did it.

Well, at the same time, there had taken place in New Orleans a sort of arbitration with respect to the city rate—not the city gate rate—between the city and the Public Service Company. As a part of that arbitration, the local distributing company there agreed to make certain reductions and both United Gas Pipe Line Company and ourselves agreed that we would take a part of that

reduction. The part that Respondent took was estimated to be about $186,000 a year. Because of the complicated manner in which gas is now put into New Orleans, that is, complicated as concerns the relations between United Gas Pipe Line Company and ourselves, that took two forms which I can explain later.

Having done those two jobs, we felt we had gone pretty far along the way of satisfying the necessary reductions on those two items. Certainly, so far as the distributing companies are concerned, I am going to say nothing more about it because that rate is plenty low enough.

That leaves, then, since the Commission does not fix rates on the direct industrial sales, two parts of our business to consider here: first the sales that are made to Mississippi River Fuel Corporation, Southern Natural Gas Company, and Memphis Natural, that are made in the field. The second character of business to be considered is what I will call the New Orleans business.

Now, we participated, as I have said, first by the transportation of gas from Monroe to Baton Rouge where it is, in turn, turned over to United Gas Pipe Line Company. If the quantity of gas which is taken through that pipe line exceeds 35 million cubic feet per day, we get to put in 3/4 of that excess, and so we are paid then three and a half cents for that. That is, a minimum of three and a half. The transportation price minimum, as I say, is five and a half. So that, in effect, as to that portion of the gas which we produce and sell from Monroe that goes into New Orleans market, we are getting a minimum of nine cents at Baton Rouge.

I think the Commission's figures show that on our transportation we are probably getting about a cent more than that, so that, roughly, we are getting, for the gas we sell and transport and deliver at Baton Rouge,

about 10 cents. For that portion of the gas which we do not sell; but which we transport, we are getting around 6 to 6 and a half, according to the Commission's figures.

In addition to gas that moves into New Orleans through this pipe line system, in 1939 contracts were made with certain producers that are off of the map which was Exhibit 7, but which lie south in this Gulf Coast Area. Mind you that in 1929 when New Orleans was tied in with this Monroe Field, there was no gas discovered in this Gulf Coast area. New Orleans was all manufactured gas and the only way in which it could get natural gas service was by virtue of the Monroe Field and taking it from Monroe to Baton Rouge.

The drilling that took place and has taken place in the Gulf Coast area came along later and has been carried on by the oil companies in their search for oil along those salt domes which lie along the Gulf Coast.

They have also brought in some considerable amount of distillate and also some dry gas.

As the market at New Orleans grew, these companies were faced with the necessity of increasing the capacity from the Monroe Field, or of supplementing the supply by taking the gas which was adjacent to New Orleans.

Of course, that was the sensible thing to do for the sake of investment. I think had it been necessary, had there not been this gas around New Orleans, Respondent would have had to spend five to seven million dollars, that is, the two companies, in order to serve the company's demands. As a matter of fact, we spent one million dollars to build the pipe lines from the nearby field and we are spending another million this year, which is being spent now and which ties in supplies of gas within 75 miles of New Orleans.

The lines are shorter than that, but within a radius of 75 miles, you will find huge quantities of gas. That

introduces, of course, another element into this picture which I will comment on later, and that is the possible competition with your contract when the New Orleans market ends in 1954. That is, 12 years from now Interstate Natural Gas Company will be faced with the problem of whether it any longer will participate in the New Orleans market and half of our line capacity is devoted to that very thing today. Unless we build up a market at Baton Rouge to take care of that line capacity, we will be faced with a very serious problem. I mention that because this Commission has no jurisdiction over any gas that might move by some new pipe line from the southern fields of Louisiana over to Baton Rouge because it is wholly an intrastate movement.

That New Orleans business is a separate thing, and I think should be considered separately. In the first place, Respondent does not sell at the city gate. The sales at the city gate are by United Gas Pipe Line Company. We participate in this movement south of New Orleans up to New Orleans on this basis. Mind you Interstate had the contract to transport all the gas. Therefore, United, which had the city gate contract, had to come to us and say: "Well, will you increase your facilities?" Well, what we did, we got together and both of us seeing the wisdom of it, we eliminated that expenditure and United Gas Pipe Line Company built these pipe lines to New Orleans from those southern fields. We built them with an agreement between United and ourselves under which they would hold legal title, would build, operate, and manage the line; we would put up 50 percent of the cost and then when the receipts were in each year, each month, the deliveries from that line are computed as being the weighted average price of which gas is sold at the city gate New Orleans. There are deducted from that the expenses of operating the line, and then the rest is split 50-50.

We, however, do not have the contract. We do not sell, but it has worked out in that fashion. I mention that because I think the New Orleans situation, that is, it seems to me that if this Commission feels that our participation in that New Orleans business is resulting in more money to us than we should be getting, then I think the whole New Orleans situation ought to be considered as one.

You have got a case involving United Gas Pipe Line Company which, I assume, is far from completion, but that company spreads all over the south, and I think this New Orleans situation could be dealt with either by conference or by some procedure so that the whole thing could be taken care of at once.

With those two types of business, therefore, first, sales in the field, and, second, sales to New Orleans, those are the things we are going to deal with.

Now, as the Commission has undoubtedly surmised by this time, with respect to the sales to three pipe lines in the field, I am coming here seeking to use as an umbrella the decision of this Commission in the Columbian Fuel Corporation case. I was somewhat surprised,—but one is always subject to certain surprises in these days —that evidently Commission counsel never heard of that case because I have searched in vain both in their main brief and their reply brief for some comment or reference to it, and lo, there is nothing said, so that I feel I have at least accomplished something by bringing that case to the attention of the Commission counsel.

I am not going to reargue that case. That is, you have decided it. I think I have a right to assume that that is the decision of the Commission, and what I think I should do is try, by analogy, to show whether or not the operations of this company come within the doctrine of that case.

In the first instance, the Columbian Fuel Corporation case involved a concern in the State of Kentucky which had 138 wells. Now, we have 110, so we are not quite as big. They had a system of gathering lines, field lines as they might be called, taking the gas from those wells to points of delivery in that field in Kentucky, to a company called the Warfield Natural Gas Company, which, in turn, had a pipe line that transported that gas immediately over into the State of West Virginia or into a compressor station, and then it went on through into the State of West Virginia and comes on through to Washington. I don't know how much of it, but some of this.

There was nothing said in that opinion as to whether those lines were gathering lines or what not. It was apparently assumed and admitted by all that all of the pipe lines which the Columbian Company owned were gathering lines. That is, the process of movement of the gas from the wells to the point of sale constituted gathering. That seemed to be an assumed fact. So that there was no technical discussion of where does gathering end and where does transmission begin.

That company also had some field compressor stations and not only, therefore, did that company produce gas from a well and take it to a point of delivery, but before it made a delivery it had to compress it and put it at higher pressure, so that that factor would have no particular bearing.

We don't have any situation of that sort simply because the pressure of the wells is higher. Some day we will have.

Now, we described, through our witness, the manner and method in which this company's field operations are carried on. I apparently made a very serious blunder in using the word "gathering" in our testimony and in our exhibits because I was charged in the hearing, and

I think in Commission's counsel's brief again the thing is laid at my door, that we are promulgating some new theory here and using the word "gathering" and using the idea we talk about.

In other words, it would appear that the first time the connotation of "gathering" was ever used was in 1938 when the Natural Gas Act was passed.

Now, of course, we all know that is not so. We know that in the oil business right from the beginning, for 75 years now, there have been oil wells, there have been gathering lines, and there have been transportation lines. You can go to the Interstate Commerce Commission and you can find tariffs that provide for a gathering charge and you find tariffs that provide for a transportation charge.

We cited in our brief two cases which involve the Federal excise tax on oil pipe lines which is a tax imposed only on the transportation of oil. In that case two companies had contested the assessment of this excise tax on the grounds that it was not transportation, that is, the movement was not, but that the movement was gathering.

I am just going to make one reference to it because I think it is pertinent at this point, that the Supreme Court in a case involving Gosden Pipe Line Company and commenting on the fact that it carried this oil, this pipe line did, it was not a common carrier in this instance, but it was subject to the tax just the same, whether it was a common carrier or not. It said common carrier pipe lines had both pipe lines and gathering lines. The plaintiff has no tariff stations but its lines are gathering lines only and comparable to the gatherings of the common carrier. There was a stipulation entered into in that case which said this: Any pipe line reaching from any point where oil is purchased or produced to the trunk or main line or to storage tanks at

or near the main or trunk line or to tank farms is called a gathering line without regard to its size, distance, or the amount of oil carried through such line to the trunk or main pipe line.

Now, that is the practical significance of gathering. I think that the Commission in reviewing this case should not try to determine it on small technicalities of whether or not a particular line in the field no longer receives gas from a well.

I got the impression at the hearing and again in the briefs that the Commission counsel says: "Well, here, here is line F-51 and after this junction with line F-19, at the point I am mentioning, there is no more gas fed into that, therefore, that is transportation." So that there is some indefinable, invisible point in a pipe line between the well and the place where the main movement begins in the big pipe line, where there is a change, in some way or other, a regeneration or a rebirth from gathering to transportation.

The Chairman:

Just to be able to keep your argument perfectly clear, could you point out on the map again the three points at which the deliveries are made to United Gas, to Mississippi River, and to Southern Natural?

Mr. Dougherty:

The delivery to the Mississippi River Fuel Corporation is shown at the letter "R" which I am indicating.

The Chairman:

Those are the three companies where you are raising the question of jurisdiction?

Mr. Dougherty:

Two companies at that point and one company here at Guthrie.

The Chairman:

Those are the companies which you claim are not subject to our jurisdiction.

Mr. Dougherty:

Now, to get oriented, the point where Fowler is is the main compressor station of the company, and you will note these lines—here is a line that runs up in this direction (indicating).

The Chairman:

That is the direction of flow to those sales?

Mr. Dougherty:

Sometimes and sometimes not. I think I explained what that line i[redacted]t starts at a point named "G" and extends between [redacted]at and the point "Fowler.". When this company was started in 1926, as I said, these pipe lines were not there. One of the two I mentioned, two sources of gas, were the United Carbon Company and the Southern Carbon Company. Consequently Fowler was the compressor station of the Respondent. It bought gas from those two last named companies, Southern Carbon and United Carbon, along this line. That point "G" at the end of it is where the Southern Carbon delivered into it. The point "H" again Southern Carbon, at the point "L" here United Carbon, and at the point "I" against Southern Carbon. In other words, that was the line that ran completely and exclusively down to Fowler.

The Chairman:

From wells where?

Mr. Dougherty:

Wells that were up in the yellow and wells in the blue. Along up in this area from the gathering system

of Southern Carbon to the gathering system of United Carbon at this point (indicating), the sale was made to Respondent and gas moved along this line which I have indicated, which is called F-1. That is the first line.

The Chairman:

I think the important thing is how the gas flows from your wells for delivery to these three companies.

Mr. Dougherty:

That is right.

The Chairman:

Now, if we could get that traced very broadly, I would like to—

Mr. Dougherty:

(Interposing.) Exactly. I want to make that preliminary statement to show you why that line was put in in the first instance.

When these pipe lines companies were established, they were established along this line because that being places where Southern Carbon, United Carbon, and also United Gas Pipe Line Company had points of delivery, and also because this F-1 line was tied in to the Interstate Field system that was the most convenient and strategic point to locate those stations.

At the present time gas can move into the two stations—that is, the Mississippi and Southern Natural stations—in this fashion. I think I can run it backwards possibly.

The Chairman:

You are reversing the flow now?

Mr. Dougherty:
Yes. Those companies were tied in and supplied by the line F-33-A, which I am indicating. That, in turn, gets the gas from F-1. F-1 flow generally is in this direction, but also gas comes in still at this end (indicating). It is what might be called a header or reservoir.

The Chairman:
As far as your gas—

Mr. Dougherty:
It flows in this way.

The Chairman:
That is what I want to get.

Mr. Dougherty:
Except gas that we purchase still from Southern Carbon, which is delivered at this end.

The Chairman:
At the point there where the delivery is made to those two companies, is there more than one line delivering your gas to it

Mr. Dougherty:
Not our gas, no.

The Chairman:
How far back do you have to go in the flow of your gas before other lines begin to come in?

Mr. Dougherty:
We get some deliveries, as I say—you mean gas that we purchase?

The Chairman:

No. That is involved in this proceeding, that is what I want to know.

Mr. Dougherty:

We come back all the way along through this F-1 to a group of connections at the Fowler Station, then we go on back up to these lines, and we go up to where the wells are.

The Chairman:

That is what I want to get at.

Mr. Dougherty:

For example, to start out with, this group of high pressure wells that is up in that area have no part in the furnishing of gas, they being at a pressure of around 350 pounds, through this pipe line that is 206, and then through a connection with one called F-33. That gas is by-passed by our main compressor station and ties in with a line called T-9, and goes on off the map and then comes back into our main pipe line further on. That does not involve those three sales. Gas is gathered in these intermediate areas there and flows through the short lines into the larger gathering line, comes on down and can move in a variety of ways.

When it gets on down here to Fowler, there are two or three—for example, here are three lines coming in here, F-59, F-3, and F-10. As gas comes in this production area—that is, the main production area of the company—on down to this line at Fowler, it can then move into the compressor station by reason of valves and compressor stations in the yard, or it can move into F-1, and the gas, while it moves to the Mississippi and Southern, goes through F-1 and is delivered to those two companies at that point.

Commissioner Seavey:
Is that field gas processed before you sell it?

Mr. Dougherty:
I don't know as I know just what you mean, Mr. Commissioner.

Commissioner Seavey:
Is the gasoline extracted?

Mr. Dougherty:
No; there is no gasoline extraction for Monroe gas. It is a complete dry gas.

The Chairman:
When the gas coming from these fields here (indicating on map) reaches this point (indicating) is there a choice as to whether it shall move by this line or this line (indicating)?

Mr. Dougherty:
Yes; they are interconnected and it can do that. There is no single movement of gas that has to start in one group of wells and move to a definite inflexible set of lines.

Where you see these places (indicating), except where you see a little curve like that (indicating), there are connections, and there are connections at the points you have indicated.

The Chairman:
In other words this line and this line (indicating) are simply an increasing of capacity of delivery from this point to this point (indicating)?

Mr. Dougherty:
Yes. It is an increase in the capacity. These lines (indicating) run further on up.

Commissioner Manly:

What is the function of this line (indicating)? How about this line?

Commissioner Draper:

I don't believe the reporter got what you said.

Commissioner Manly:

What is the function of this line marked F-36?

Mr. Dougherty:

That indicates a six-inch line. At one time the gas moved from left to right, tying in with a line called F-33.

At that time the line F-33 moved on to a connection with F-1 and F-33-A for delivery to the Mississippi and the Southern Company.

You will note, starting from the point of intersection of F-30 and F-33, running to the northeast, a 16-inch line called F-33 extension.

When that line was built it was built to take care of high pressure wells in the middle area of the field, and a break was made between F-30 and F-33, at that point, so that now there is very little movement through F-30, but there is an emergency connection so that high pressure gas in F-30 could come westward.

That is, it originally went east; now it can come west.

The Chairman:

Is this F-19 or F-18 (indicating)? I can't quite read it.

Mr. Dougherty:

F-19.

The Chairman:
What kind of line is F-19?

Mr. Dougherty:
That is a line which takes gas mainly from the Hope Producing Company wells, the sale being made right at the point of delivery.

You can see it says, "Hope Producing Connections," and then that is simply taken on in through the system.

Commissioner Manly:
Now, this gas that, as I understand it, moved down on F-51 down to Fowler, and then from Fowler over F-1 up to your delivery points at F and G: is that gas changed in pressure at Fowler?

That is, does that pass through your compressor station at Fowler?

Mr. Dougherty:
No, it does not. By changing the gate valves and changing the direction of flow, that gas can move into F-1 or it can move into the station itself for compression, and then for delivery on down.

Commissioner Manly:
If it moves up through points up here (indicating), it is not compressed?

Mr. Dougherty:
No; it is not compressed. The contract pressure is 50 pounds. Actually it is delivered at 100 or 150, which is the same pressure at which it comes up to our compressor station.

Commissioner Manly:
Where does the compression of gas which is delivered by H and G take place?

Mr. Dougherty:

That takes place at the company itself. In Exhibit 42 we have a series of photographs which show those stations.

On Page 24 is a picture of the Mississippi River Fuel Corporation compressor station, and that is located at R. It is located at point R.

Continuing with those photographs we have on Page 25 another view, and then Page 26 shows the headers that go into that station.

You see, deliveries are made by this Respondent and by the Hope Company combined, and then by United Carbon Company, Southern Carbon Company, Union Producing Company. They all come in on a parallel bank, and that is where delivery is made.

Here is a closer view on Page 27 (indicating), where it shows that all of us come in there and deliver at the same point.

Then some of it is compressed under low stage compressors, and this (indicating) shows a photograph of the low stage compressors in the Mississippi station.

This again (indicating) is another photograph—Page 29—of low stage compressor engines, and then Page 30 shows the high pressure which takes gas, some directly from at the points of delivery, and then other gas from these low stage compressors, and that is the place (indicating) where the station is located.

Now, you have got the same thing in here for Southern Natural.

Commissioner Manly:

Where do you deliver the Southern Natural—at I or O?

Mr. Dougherty:

It is at V.

The Chairman:
(Indicating.) Is this where the Sterlington steam station is?

Mr. Dougherty:
Yes.

The Chairman:
Do you deliver there?

Mr. Dougherty:
No. longer.

The Chairman:
No longer?

Mr. Dougherty:
We did, but no longer.

The Chairman:
Where do they get their gas from?

Mr. Dougherty:
From the Union Producing Company.

Commissioner Manly:
Do you operate any other compressor station except the compressor station at Fowler?

Mr. Dougherty:
We do along our main line, at a place called Faraday, Louisiana, which is shown on the map Exhibit 7, and at Faraday we have a compressor station.

Commissioner Manly:
Where is Fowler?

Mr. Dougherty:

Fowler is clear at the upper left-hand. It is about midway.

Commissioner Manly:

Do you have compression at any place north of Fowler?

Mr. Dougherty:

None whatsoever.

The Chairman:

What are the distances involved from this point here (indicating)?

Mr. Shotwell:

Each one of those squares is a mile (indicating). Each one of these sections is a mile square (indicating).

The Chairman:

That would be about five miles?

Mr. Dougherty:

Probably about five miles from the river crossing down to the Fowler Compressor station, and it is about five miles from Fowler up to the points of delivery at Mississippi and Southern Natural.

Commissioner Manly:

Do you do any compressing at Fowler of gas for any other purpose except the movement through your main line southeast of Baton Rouge, or through this line (indicating)—is this a delivery line or a gathering line?

Mr. Dougherty:

F-4 is a gathering line.

Commissioner Manly:
That is a gathering line?

Mr. Dougherty:
To answer your question specifically, the compressor station at Fowler does nothing except compress gas which goes into line T-1, which is a line to Baton Rouge. I didn't mention this one before (indicating), which is the gathering system of low pressure wells, and that gas all goes through the DeSiard compressor.

None of that is involved, because of its low pressure conditions.

The Chairman:
Are there any deliveries of gas for direct industrial sales on this group line, before they get to Fowler?

Mr. Dougherty:
No. We make exchanges of gas, and we occasionally sell it for drilling purposes.

The Chairman:
Now, how about between Fowler and—(indicating).

Mr. Dougherty:
No deliveries on the line F-1, which runs from Fowler up to the end of it, except to there (indicating).

It can come out—well, I must make this correction: that we have only been talking about the two lines. Now, the Memphis station—and counsel for the Memphis Company is here; I don't want him to think I have been neglecting the company—is where W is marked, and deliveries can come either from that line or from this line (indicating), which is marked F-44, which again is tied in to the pipe line connection group in the yard at the DeSiard station to Fowler, and gas comes from this same

general area on down to this place at Fowler, and then moves—it can, by changing valves, it can move into this line (indicating) that goes into F-44, and delivery is made at that point, or gas can be taken on at F-1.

F-1, as I say, sort of a reservoir into which gas from our general field system moves.

Gas which we buy from other producers moves into it, and then from it moves gas to these three pipe lines we mentioned, and also can move gas on occasion to our compressor station.

The Chairman:
Where is the delivery to Mississippi?

Mr. Dougherty:
That is at R.

The Chairman:
And Mississippi and the United—R?

Mr. Dougherty:
Mississippi and Southern, R and V, respectively.

The Chairman:
Where is United?

Mr. Dougherty:
United is the sale that involves New Orleans, and that is at the DeSiard compressor station. We do not have any meters added.

We just simply take the gas in. As a matter of fact, where the gas is measured is when we deliver it at Baton Rouge.

The Chairman:
Compressed?

Mr. Dougherty:

Yes; compressed at the station. As I say, I have treated that—it seemed to me to be segregated and put into the New Orleans picture, and not involving the field.

Now, that is the manner and method of operation of these lines.

It is just like any natural gas company system. It starts at the well and moves through whatever lines and sizes were needed, then goes through these main field lines which of course have to be bigger to get the gas to get the volume, and it continues or until it comes to the point of delivery.

I think it is clear, from the Columbian Fuel Corporation case, and I think it is clear from the statute, that certainly the two ends of the natural gas business were thought better—or at least left out of the jurisdiction given by the Natural Gas Act.

Certainly, the distribution was completely and clearly left out, regulated by the state authorities. Certainly production is not involved.

Now, you have got a place, therefore, we know that transportation—the interstate transportation—is, and the sale in interstate commerce is.

I am not making any contention that, when this Respondent makes a sale of gas at Mississippi compressor station through this meter, a photograph of which I have shown you, that that is not a sale in interstate commerce.

I know that if Congress wished to regulate the price at which that company sells that gas to Mississippi, it has the constitutional authority to do so, and there is no question of that in the Columbian Fuel Corporation case.

The whole question is: did Congress so intend to do at this time? and this commission has decided that, under a certain set of facts, that the delivery of gas in

that field—Kentucky—even though some of it had been compressed, was a delivery made immediately after production and gathering, and that it was not intended that there should be any regulation of that sale.

The Chairman:

You mean there is a gap in regulation? There is no state, neither is there Federal, provision for regulating that sale at present.

Mr. Dougherty:

Quite so. I think that, as this provision has been decided, Congress had not made up its mind that it should be done, and neither had it made up its mind that it should not be done.

There are many practical reasons still existing. I feel firmly convinced that this company, because it happens to own a pipe line and happens to be subject to jurisdiction with respect to a certain portion of its business, should not be treated any differently than a company that does not own a pipe line but who sells gas in the field and moves in interstate commerce under the same circumstances and set of facts as we sell it.

To do otherwise, I think, would be an arbitrary distinction.

The Chairman:

Is there any competitive distinction that has put these company's sales that we have been discussing in the category of purchased gas from some other purchaser or gatherer, or are they practically limited to obtaining their supply from the Interstate?

Mr. Dougherty:

They certainly are not limited to obtaining their supply from the Interstate.

I want now to come right back to that point that was mentioned in the Columbian Carbon case, where at the end the Commission said that "there may be situations where, by reason of affiliation, by reason of control in the field, either through acreage owned or through contract or otherwise, possibly the price has been fixed artificially, and when that situation presents itself this Commission will decide whether it then has jurisdiction or whether it should recommend to Congress some change in the law."

Now, so far as the Respondent is concerned, we own about 20 per cent of the acreage in that field: We sell to the Mississippi 22 per cent of its demands. That contract, I think, expires in 1952.

Take that contract itself: if we do not keep up our end of the bargain, then Mississippi has the right—or the other sellers in the field have the right—to take up our share, so that to that extent it is competitive. That is, we have got to keep up our end of the deal or else we lose the business.

The sale to Southern Natural: we sell 16 per cent of that line's requirements, and in that case, while in the beginning the entire supply for that company was taken from five producers in the field, last year a new contract was made under which Southern Natural produces 25 per cent of its requirements in the Logansport field, which is in Western Louisiana south of Shreveport.

Of course, we have got a definite contract. They have no right to take more than 25 per cent until we revise the contract, and of course in turn they require us to deliver them the 25 per cent.

It is a mutual obligation. It isn't just a question of like you go out in the field and buy gas, whatever he can put in the line.

We have got to do business; we have got to go out and see that we get the gas.

So 16 per cent is there. On the Memphis sale we sell 24 per cent.

Now, I must be frank with the Commission, of course, and I think here is a situation that, in this Monroe field, by virtue of the fact that the contracts made with these pipe lines, or with five producers that together control 77 per cent of the field, that those contracts are made, as I say, there is a little varying in the percentage which each producer has under each contract, but the contracts are identical, except with respect to description of properties and percentages.

The prices are identical; the terms and conditions are identical.

The Chairman:

Is that by agreement?

Mr. Dougherty:

By agreement. We each have a separate contract, you understand, but it is prepared after discussion with the various interested parties, and when we get through we have pretty much got the same sort of a contract—that is, each producer has the same sort of a contract.

The Chairman:

That is, you have divided up the business and agreed on a price; is that correct?

Mr. Dougherty:

Right. So that prima facie I am willing to admit that they are situations that lend themselves to this residual part of the opinion in the Columbian Carbon case.

Commissioner Manly:

Has Thurman Arnold ever pursued you for that?

Mr. Dougherty:

No, he has not, and I presume it is all right, because he has not left anybody else untouched, Mr. Manly.

Now, the situation with respect to that factor, I think, is this:

We are only one of that group of producers. This question of sales by this Respondent to Mississippi came up a couple of years ago, before the Commission, when our contract provided for increase from 7.5 to 8 cents on all gas. The Commission, when we filed our regular notice of increase, the Commission suspended the rate with respect to that portion of the gas which eventually is sold by Mississippi to distributing companies.

They did not suspend that portion which Mississippi sells to industrial customers, because of the provision of the statute.

We came down for a hearing. We put on considerable testimony about the character of operation in the field, and the Commission said they had jurisdiction, and denied our increase because we hadn't justified it.

Then we filed an application for rehearing, and then came the Columbian Fuel Corporation case, and then the Commission granted our application for rehearing, and that case is still pending,—I think the docket is 146—and right about that same time there had been started a proceeding against the Southern Carbon Company and against the United Carbon Company—I think Dockets 144 and 145,—of course, the United Gas Pipe Line Company has a general rate case—so that this Commission had, and has had now for more than two years, a series of cases which concern this situation in the Monroe field.

In Docket 181 a proceeding was started against the Mississippi River Fuel Corporation, the purpose of which it was said was to investigate this connection between these producers, because the affiliated companies of the

producers were the ones who financed and built the Mississippi River Fuel Corporation.

That proceeding started and voluminous documents were required.

Commissioner Scott, I believe, was the supervising commissioner. Mr. Gorman was the one conducting the proceeding. And we had some hearings, and then we furnished trunks of documents and information, and that is the last we have heard of it.

I feel this way: that if there is to be any question, or if there is any question, in the minds of the Commission, as to whether or not this company comes within the exclusion laid down in the Columbian Fuel Corporation case—namely, no jurisdiction, because gathering and production—then the time for that investigation, to see whether we fit into this picture of domination in the field by contract or otherwise, whether we have fixed an artificial price, ought to be carried forward in this group of proceedings to which I have just referred, because, while in this case the Commission counsel put in some extracts from the Federal Trade Commission that relate to the Federal Trade Commission case of Mississippi, that whether or not this is an artificially fixed price primarily must be considered when all of the companies are here.

Then again, I don't think it is fair, just because we happen to own a pipe line, and because we helped and got our case quickly tried, and have cooperated, that we should be hit on the head with a reduction in price, when the rest of the boys in the field keep on getting their eight cents: that desn't seem like equity to me.

I think, when the Commission considers that situation, it won't feel that it should treat us that way either.

Commissioner Draper:

Is it your position that if the Commission had jurisdiction over your sales these field sales—that we also

have jurisdiction over the other sale or sales in the field?

Mr. Dougherty:

I can't answer that question, because I am not familiar enough with the character of gathering systems and deliveries either. I think, in principle, my answer would be Yes.

I think I can see, from the basis of what I know, I can see no reason why this Commission should regulate a sale we make in the field and not regulate a sale Southern Carbon or United Carbon makes in the field.

The Chairman:

Aside from the relationship or the appointed relationship between this company and the Mississippi Company, wouldn't your statement that the price in this field was fixed by agreement between a group of producing and gathering companies which had divided up sales from the field be an indication of an artificial price?

Mr. Dougherty:

I said it might be prima facie a situation that required investigation. I don't think that, merely because the group have agreed on a price, that it is artificial, Mr. Olds.

The Chairman:

What is your conception of an artificial price?

Mr. Dougherty:

I think the conception of an artificial price is one that is fixed without regard to any of the factors that normally people consider when they are bargaining for a price.

The Chairman:

When they are bargaining for a price it generally involves some competitive bidder, doesn't it?

Mr. Dougherty:

Sometimes, and sometimes not. We bargained for a price at the city of New Orleans. That is, United and ourselves have.

We bargained for a price with the city of Baton Rouge. For example, when the University Field came in there at Baton Rouge they said, "Look here; here is all this gas." Our contract had two or three years to run, and they called us down, and we made a deal with them, and we reduced their price then, because they were able to buy gas cheaper. I don't think that is artificially fixing the price, because it is negotiated.

The Chairman:

Whether it is negotiated or not, where the competitive factor is not present, then the criteria that would have to be applied, to determine whether the price is artificial or not, would have to be the criteria that are involved in regulation, wouldn't they?

Mr. Dougherty:

The cost criterion, I think, is one—and a principal—criterion.

My conception of it is that it isn't only just this rule of thumb that you use when you are talking about pipe line rates.

I think there are other things that need to be considered.

What I am getting at is that I firmly feel that it is not fair to this company to try those cases—those other cases—that whole situation—right here, and cause us to reduce our price, say—to Mississippi now we are selling

gas at 7.6 cents, the distributing company gas at 8 cents, the gas for industrials—right now the Southern Carbon and Southern Gas are getting 8 cents for the same gas we get 7.6 cents for.

Look how competitive this is (indicating). All up and down this line (indicating) and through this field (indicating) you will find it.

We are taking it out of the same sand. We get 7.5; they get 8.

We don't know what their costs are. Maybe their costs are less; maybe they might be more.

The Chairman:

Do you suggest that it would not be fair to try the whole case on the basis of your company?

Mr. Dougherty:

Right.

The Chairman:

Are you implying that the case should be handled, where all are brought in in one combined case, to determine whether or not this is an artificial price?

Mr. Dougherty:

Yes. You have got to. The proceedings have been here for a couple of years—the ones I have just mentioned.

The Chairman:

Those involve the Mississippi?

Mr. Dougherty:

There is one case which brought in the Mississippi—Docket 181. Before that there was a case against each one of these producers—133, 134, 135, 136, and 137.

Those dockets involved the sale of gas in this field—not as broad as we are now talking about it—to a whole group—but it definitely concerned each one, and whether or not there was jurisdiction.

For example, United Carbon Company has never filed any schedules with this Commission.

The Chairman:

You are suggesting that there ought to be a consolidated case?

Mr. Dougherty:

All you have got to do is consolidate those four cases for hearing, and you have got the problem. That is the way in which this question of the Monroe field should be settled, not piecemeal and not because we have gotten our case here first, to give us a crack of three cents, because the figures show it, and then let the rest of the fellows benefit.

Suppose you did it. Suppose we get on to the proposition and you said, "Boys, that is too bad, but here you are, and we have got to do this job."

Mr. O'Connor said that on his figures we are making, I think, $300,000 roughly more than we should on the Mississippi business—that is, as I say, on a round 20 to 22 per cent of the business—and when you spread that all over the gas which they buy out of that field, it amounts to about 3/4 of a cent.

If you took $300,000 from our pocket and gave it to Mississippi, what would happen to it? That is not enough of a reduction to spread over all their business that you would ever notice it when you came down to reducing it to the distributing companies through which they sell gas.

The Chairman:

If there was a three-cent reduction in their rate at these points of delivery, would it mean that you would get any larger percentage of the business from these three companies, if they were to transmit the gas elsewhere?

Mr. Dougherty:

None whatsoever, Mr. Olds. My understanding of the law about these contracts which were made when they were legal, then comes along regulation affecting the price, and while you change the price you do not change the legal obligation either to take or deliver, and we have no right to compete with the rest of these fellows even though we are getting less: they still have a contractual right for this percentage.

The Chairman:

In other words these other gas companies, under the situation, even if we have jurisdiction, would have no right to obtain gas if you had it to supply from the cheapest possible source?

Mr. Dougherty:

That is absolutely so. The 10th Circuit Judge Phillips, writing an opinion, had a case involving a similar situation out in Kansas. He definitely held that.

Commissioner Draper:

Can you give me the citation of that case, please?

Mr. Dougherty:

I will have to do it later.

What I am getting at is this: what you gentlemen do is change our price; you don't change any of the rest of the provisions of an existing contract. When we

make a new deal you may have something to say about it, but that is the law as I understand it, although, in some instances, I wish it were not so.

Commissioner Seavey:

Isn't the law, Mr. Dougherty, that any contract entered into under the conditions that you mentioned may be voided, if in any way they come up against that situation?

Mr. Dougherty:

If so, I think this is not the tribunal in which that takes place. I think the voiding should be in a Court of law.

I think what you got jurisdiction for in 1938, in connection with these contracts, was the right to change the price. That is my understanding of the legal situation.

Commissioner Seavey:

We do have supervision over the service and the operating conditions under which the service is being performed; I think you will find, as you go into the cases, that contracts have been voided for reasons other than price, that where it was determined by the party controlling the utility that had the contract, that if it was against the public interest, for any reason, it could be voided.

Mr. Dougherty:

Well, as to contracts made after regulation takes effect, I don't think I would take issue with you, but my understanding of the law is as I have stated, and if it is otherwise maybe we will come down and ask you to give us a bigger share of this business if you reduce our rates.

My colleague comments on the fact that if you did want to change those percentages you ought to have those companies here so they could have their day in Court, at any rate.

I don't want to take too much time on this. It is, I think, the most important point in the case—which is left in the case.

I think I have outlined the things that we rely upon. If there is any further question—

The Chairman:

(Interposing.) I think the discussion of the map really made the picture quite clear to me.

Mr. Dougherty:

That is what I had hoped would result, Mr. Olds.

I mean, that is the whole situation, and I don't think anything more I could say on that would add anything.

Now, I am going to pass next to this question of New Orleans business.

* * * * * * *

Thank you.

The Chairman:

Mr. Lange.

ARGUMENT OF EDWARD H. LANGE.

Mr. Lange:

If the Commission please, this proceeding, as counsel has stated, is unusual in some respects, but he didn't state the unusual aspects of the proceeding in other matters.

It was significant, with reference to the jurisdictional phase, that right at the outset the statement as to the Company's properties and operations was very patently pitched on to the production end and the field properties.

As a matter of fact the record clearly shows that this project had its inception in 1925 as an interstate pipe line. It was a pipe line project from its inception. It was a pipe line project from its design. It was a pipe line project from its operations through the years.

Now, then, starting from that point, the picture very definitely changes. Not just as a producing company, or a gas purchasing company in a field, but as a pipe line project, starting from that point, in 1925, when the refinery of Standard Oil situated at Baton Rouge, Louisiana, was looking about for cheaper fuel, they contacted the engineering firm of Ford, Bacon, and Davis, and others, and learned that there was quite a possible producing area for natural gas in northern Louisiana, what was later known—and probably then—as the Monroe field: an extensive gas-producing area and field as it has subsequently been shown to be.

Now, they were situated at Baton Rouge. The cheap fuel was up in northern Louisiana. It was a matter of constructing a pipe line to bring it to the refinery.

The Interstate would never, under all the circumstances in the record, have been in that field in Monroe as producer or as purchaser of gas if it hadn't been for the fact that they needed, as one of the outlets for gas, they needed cheaper fuel at Baton Rouge.

All right. They acquired the acreage. The line was constructed in 1927.

At that time the refinery was served, and shortly thereafter service was rendered to the city of Baton Rouge for distribution and sale at that point.

The Chairman:
Which portion of the line, as is shown on the map, was that original 1925 line?

Mr. Lange:
It was a single line, Mr. Olds, subsequently looped through the tip end of Mississippi.

The Chairman:
Does it show on that larger map?

Mr. Lange:
These are just the points of connection there (indicating).

There are the two lines (indicating). The two lines converge into this (indicating) outside the field at Alto. At that time there was one line.

Later they looped the lines, both lines come out of the field and converged at a point called Alto or thereabouts, and then moved through northern Louisiana into Mississippi back out.

The Chairman:
I want to understand, in order to be clear on what you are saying.

This Interstate pipe line, which you say was conceived in 1925, does not appear as any of the lines on this large map, does it?

Mr. Lange:
On this map (indicating)?

The Chairman:
Yes.

Mr. Lange:
No, excepting the connecting points.

The Chairman:
I see. All right.

Mr. Lange:
Now, then, subsequently, as I say, the line was looped, but the Interstate transportation and sale of the gas took place at that time, from the beginning, and has continued.

The line, as I say, transports gas through northern Louisiana and into Mississippi, and back into Louisiana, and the project has at all times been considered one of transportation and sale of gas in interstate commerce; going back again, then, to the inception of these proceedings, what brought about these proceedings was the complaint of the Louisiana Commission that originated subsequent to the Louisiana Commission's inability to effect any regulation of the rates of this company resulting or arising out of an injunction proceeding in the Federal Courts in Louisiana, in which the Louisiana Commission was enjoined from taking any further action in connection with that investigation, and in connection with the obtaining of that injunction this company then again specifically made its position clear: that its operations were 99 per cent plus in interstate commerce, that for that reason, and for the reason that they were not, as the company claimed, a public utility under Louisiana statutes, for those two reasons, they asked that the local commission be enjoined, and in connection with the obtaining of that injunction there was a very definite spelling out by Interstate as to its interstate operations, specifically in connection with these four pipe line sales.

The Chairman:
As I understand the argument, though, the question isn't raised as to whether Interstate is engaged in the

interstate transportation of gas or the interstate sale of gas, but they are bringing the question down to the matter of whether or not these specific lines are gathering lines up to the point where sales are made to three interstate transmitting companies.

Mr. Lange:

Yes. I was just getting to this point, though, Mr. Olds: that the company has been operated mechanically as a single integrated project.

They dispatch the gas throughout this whole area. One dispatcher dispatches the gas for all outlets. All gas is intermingled, whether it goes to these three pipe line companies, whether it goes to the New Orleans market, or any of these markets.

You have got an interstate project through which gas is dispatched that can't be segregated out—it is one movement of gas, all of it in interstate commerce, and on that point Interstate's one sale that they attempt to single out —the sale to United Gas Pipe Line Company —that they would say, "Oh, that isn't an interstate sale; we are making no contention about that," and the record so states that they are not making any contention as to jurisdiction, that gas is commingled and is dispatched with all the other gas that moves out of the field.

It is one integrated operation, carrying out the original design of it, and operated on through the years in that fashion.

Now, then, counsel raised the question as to why there was no mention made whatsoever as to the Commission's opinion in the Columbian Fuel case, as if it were incumbent upon us to attempt to distinguish the facts.

We predicated the facts exactly on what took place in that particular case.

Now, then, if they do want a distinction, this commission, of course, knows that in the conclusion reached

there the Commission specifically stated that, if the company is not otherwise subject to this Commission's jurisdiction—In this case the Interstate specifically admitted, and in its findings of fact that it asked this Commission to make right at the beginning it states it is a natural gas company under the Act, within the purview of the Act.

It not only states that, but asks this Commission to so find.

Now, then, if this Commission follows through on Interstate's request for that finding—that is, that it is a natural gas company—which brings it right squarely into what this Commission had in mind, that it is not otherwise subject to this Commission's jurisdiction—and that becomes more pertinent when you consider the fact, as I have stated, that the entire operations were designed, and have been carried out, as an integrated unit, as a pipe line project, which there is no question but what that is what Congress had in mind—a pipe line unit—that is what this company's operations have resulted in, and have been so carried out throughout the years.

I don't see how, mechanically, there could be any distinction between certain of their field operations, as compared with other of their field operations. Certain operations, they would say, were not outside the purview of the Act. And then they would carve out three pipe line sales which happened to include the major portion of their operations, both in dollars and in volumes of gas, carve them out and attempt to set them aside and apart, separable from the others, when mechanically they can't be so carved out, and never have been so carved out.

They would say that we shouldn't proceed in a theoretical fashion but proceed practically, and take them at their own mechanical operation of the plant, just as the record shows. There isn't any equivocation about that at all.

For the one point, if the Commission, for instance, takes that United sale, made in the field, all of which gas is in the same balance, it is dispatched, it is not carved out or segregated, and they definitely admit in the record that that sale is not objectionable, that this Commission has jurisdiction over it, how can there be any consistency between the two positions, in the light of the Company's own operations throughout the years.

It isn't just a statement that they view it in that fashion, but the mechanics of the operation have been so carried out.

I don't see how the company could come here, in the light of the record that has been made, and attempt to put this commission in the position of trying to distinguish the Columbian Fuel and put it in the same pattern as Interstate.

Interstate would say that it is incumbent on us to make the distinction.

Certainly it isn't. We show what the facts are, and if they want to try to distinguish it and make it come into the same pattern—a wishful pattern, I believe—then, of course, it is their burden to do that, but I say very specifically that, in the light of the Commission's own findings in Columbian Fuel, this is not Columbian Fuel: this is Interstate, the basis of the facts of which are clear-cut; it is an integrated project that has no relation in its mechanical operation with that of Columbian Fuel, by any means.

This is a pipe line, and if the Congress had anything in mind that I can find from their purposes when they enacted the Natural Gas Act, it was to bring within the purview of this Act the operations of pipe line companies.

This company, if its field operations respecting these three lines are not subject to regulation, it is already shown in the record that the Louisiana Commission has

no jurisdiction over its operations, in any phase of the field operations or transportation operations. That is out; there is no regulation there.

Certainly the Natural Gas Act, and the framers of the Act, would not have had in mind the exclusion of the operation of a line that was designed as a pipe line for resale of gas in interstate commerce.

The sales of every one of these pipe lines—Mississippi River Fuel, Southern Natural, Memphis Natural—are for interstate commerce and for resale, the gas moves, as the company's own officials stated, uninterruptedly from the well mouth through all the facilities outside the state of Louisiana, and on to the place where it is resold at distributing points—Atlanta, Memphis, St. Louis.

If this provision of the Act that they are relying upon as excluding—claiming to exclude—production and gathering, were applicable, then any pipe line company that was originally designed—as this one was—as a pipe line company, and subsequently found that it could make profitable field sales and get together with all the owners in that area, or the majority of them, or those that had the greater portion of the acreage, parcel out the market, and then carve out of its field operations as not being subject to the provisions of the Act, it could be conceivable on its face that the very purpose of the framers of the act would not be able to be carried out by any regulatory agency.

This is definitely true in this situation here, and the United sale alone shows very clearly what the company's position is with reference to whether the sale and transportation of a certain portion of that gas is in interstate commerce, subject to the provisions of the Act, and is not separable from those others that it would carve out.

I don't think there is any consistency in that position at all.

I don't think the record shows that there is any consistency, that it is not supported by any argument that it should be excluded under the section of the Act.

We believe that the history of the project, the operation of the company, and particularly its background, the way the company's capital structure was framed, the holders of the stock, those who participated subsequently in these various contracts in the field, all funnel down to the point that this company was designed as a pipe line company that was expecting to transport gas from a field in interstate commerce, and so designed that field sales that it is making and attempting to carve out are not subject to the exclusion under the Act.

Now, with reference to their position as to the dollars involved:

It is true they did accept the Commission's original cost figures, but that is where they stopped.

It is true they didn't put in a reproduction cost new estimate on the property, but they did what may be in effect the very same thing, because it accomplished what they desired to accomplish: Instead of accruing depreciation in the method as provided for under the rules, the deductions that they made from those original cost figures were predicated, as was stated, entirely on observed deterioration theory.

In other words, the same methods were employed in determining what they would say is the deductible observed deterioration as had always been employed in determining what a reproduction cost new unit should be. The same method and formula is involved.

And despite the fact that they had accrued on their books somewhere in the neighborhood of ten million dollars as a depreciation reserve, that of course is beside the point in so far as their calculations are concerned.

For that reason I called that to the Commission's attention that it is true they did not dispute the original

cost in dollars, but they did get about it in the roundabout fashion that ordinarily is pursued in investigating reproduction cost new estimates.

Now, in connection with the company's operations there is no dispute as to the revenues and operating expenses, and I want to call this fact to the Commission's attention at this point, as to the point of operating expenses.

Counsel made the point that the company very readily accepted the Commission's estimate of the reserves in the Monroe field having a life of 35 years, and also the Commission's determination of what should be the proper service lives on which annual accruals should be based.

Now, then, here is the inconsistent position that the company has put itself in. I don't see how it can reconcile it.

They would say that a 35-year life is acceptable for them to get large annual accruals, but when it comes to determining accrued depreciation in the plant, oh, that plant will probably last 60 or 70 years or longer, but besides we don't take into consideration its probable life, but what is its percent depreciation at this time, which of course is a much smaller amount than the proper determination of the reserve is.

On the other hand they would want these large accruals for the short period.

In fact, their own official testified in the proceeding that they recommended a 35-year life for the purpose of determining those annual accruals—recommended it; didn't just acquiesce, but recommended it.

There is their inconsistent position on that. It just can't be reconciled.

Now, the reductions that they were made by the company, of course, affect, first of all, just a small portion of its operations in so far as the resale distributing companies are concerned, and then the transportation and

the sale of gas by United for the New Orleans market, but over all the sales for this company that we believe are, and should be, under regulation are those two—the pipe line companies, not only the three that they would have excluded from jurisdiction, but the fourth, the United, which they acquiesce is in the picture, and how this Commission could proceed in segregating those, and permit that portion of the revenue accruing in those sales to the three pipe line companies to be out from under regulation, and that portion of the revenue accruing under the sale to United—out of the same area and out of same gas—to be in the picture and subject to regulation.

We believe that when this investigation started, when this Commission proceeded to determine all the facts in connection with Interstate, it had before it a foursquare picture of Interstate's operations in their entirety.

If counsel says, "Well, you can't proceed in this case; you will have to wait, first of all, until this Commission determines what is the proper and correct price to be charged by United for the New Orleans market, or what should be the proper prices charged in connection with other field operations, you would have an endless chain, that never would result in getting the matter to a hearing; if you would have to get in every loose end of a company that is involved in the transaction with the company that is being investigated the Commission can readily see that there would never be any termination of where to stop and who to bring in, so I don't think they can maintain or make tenable their position in this investigation, or the determination of it, or the ordering of a reduction or the change in rate, by bringing in other companies from whom it buys or to whom it sells gas. If that rule were applicable you would never complete a rate investigation of any company: you would just have to cover the entire United States eventually, if you wanted to get

them all in—certainly everyone from whom the company buys, or to whom the company sells.

That is an impracticable suggestion, and I don't see how it could ever be attempted to be carried through in any practical manner of regulation.

I believe that the entire facts with reference to Interstate, its history, as to the purpose of its operations and its actual operations, are in the record, that they support the position taken by the Commission's staff in the determination of the amounts that should be reduced in their rate, or a basis of a 6-½ per cent return.

I don't think that it is incumbent upon this Commission to attempt to delay this proceedings until other proceedings can be either brought in or determined, but to proceed with this company as the record discloses, and determine the facts applicable to Interstate.

I believe that is all.

The Chairman:

Thank you very much.

Mr. Dougherty, how much time do you think you will need for your closing statement?

Mr. Dougherty:

My record on estimates isn't very good, but I will guarantee to finish by one o'clock.

The Chairman:

All right.

Mr. Dougherty:

If I don't, I suggest you rise and walk out on me, and that will end it.

CLOSING ARGUMENT OF MR. DOUGHERTY.

Mr. Dougherty:

With respect to the question of the instigation of this company as a pipeline project, I think it would be interesting to know what were its field facilities at the beginning.

They bought, as is shown in Exhibit 42, starting at Page 8, about 40,000 acres of land from a company called Union Power Company.

That included 11 wells and a couple of lines up near Sterlington.

In other words the Union Power Company was selling gas at the Sterlington plant.

Starting at the place where the Sterlington plant is, which is near the river, which I am indicating, Line 115, which I am outlining, was acquired and then Line 106 over at about this point (indicating) and up including that well (indicating).

There were 11 wells tied in to that right angle system that came down and sold gas to the Sterlington station, and that was all.

When the company came in and started its project, to build its compressor station at Fowler, and of course its pipe line, and in order to tie in to this field system that had been there engaged only in selling gas to the power company they built Line F-3 which runs up along the place I am indicating now, tying into that system so that in 1927 they owned just that much.

Also, they built this line from which deliveries are now made from Mississippi and Southern Natural for the purpose of receiving gas and bringing it down, because in the first instance the company purchased great quantities of gas the first five or six years as against developing its own acreage.

So that that included delivery point where it is marked F-2 or 3 up along with this line (indicating), so that was its system where it started the pipe line system.

So it has 110 wells, it has all the rest of these gathering lines that you see, and all these systems have been extended since then, and that, of course, has been both for its increased market at Baton Rouge—but it is of interest to note that the industrial gas which it sold in 1928, the second full year of operation, was 26 billion feet—that is, direct sales to industries off of this pipe line (indicating).

Then it went down and got down as low as 15 billion feet in 1932 and 1933. It never came up to its 1928 business until 1940, when we sold 27 billion, so that, so far as the pipe line operations were concerned, we had enough production and enough facilities in the field, and enough purchase contracts in the first instance to supply our whole market.

On the contrary, our sales to pipe lines in the first full year of operation, 1930, was six billion, and in 1941, 26 billion, so you can see how much of that production system has been built up.

I think, where Mr. Lange's distinction fails: he says that we have a complete system, a field system that goes right into our transportation system. Where his argument fails is that he neglects to realize that the same company can be in both a regulated and nonregulated business.

The Chairman:

Have you read Pages 13 and 14 of our opinion in the Columbian Fuel case?

Mr. Dougherty:

I think so.

The Chairman:

Would you feel that the system you are describing here, the Interstate system, fitted into the description of the basis for exemption of the Columbian Fuel system in those two pages?

Mr. Dougherty:

Is that where you say "not otherwise subject to jurisdiction" and talk about the affiliated—I am not sure that I read the whole opinion.

The Chairman:

You started out by suggesting that the Commission's attorneys had apparently ignored the Columbian Fuel case. I am wondering whether your argument for the exemption of these sales of the Interstate company, you consider, conforms with the Commission's viewpoint, as expressed in Pages 13 and 14.

Mr. Dougherty:

Yes, I do.

Going to the point about not otherwise being subject to jurisdiction, here is a pipe line that has a commingled group of gas in it.

Part of the gas that moves through that pipe line is subject to jurisdiction. Part of it is not. The industrial sales are now.

It is all a single pipe line. It is a single system. It does the same business.

It sells gas at the same place, some that the Act regulates, some it does not.

So that the fact that you are engaged in a pipe line business which generally is subject to regulation, doesn't mean that everything else you have is subject to regulation.

The Chairman:

But the Commission in dealing with the Columbian case was dealing, in the first place, with a system that did nothing but produce and gather?

Mr. Dougherty:

Quite so.

The Chairman:

So there is a distinction.

Mr. Dougherty:

Well, yes.

The Chairman:

And the Commission made that distinction in discussing the basis for its decision in the matter?

Mr. Dougherty:

Well, they said this: "We conclude, therefore, that it was not the intention of Congress to subject to regulation under the Natural Gas Act all persons whose only sales of natural gas in in interstate commerce, as in this case, are made as an incident to and immediately upon completion of such person's production and gathering of said natural gas and who are not otherwise subject to the jurisdiction of this Commission."

That same argument would give you jurisdiction over our industrial sales.

The Chairman:

The word "only" is important.

Mr. Dougherty:

Yes.

The Chairman:
In terms of the interpretation of the Act?

Mr. Dougherty:
Well, I say the same argument would give you jurisdiction over the industrials.

The Chairman:
I say, the same question as you have given in your original argument is precisely the same as the case involving the Columbian Fuel.

Mr. Dougherty:
The company is certainly subject to your jurisdiction and in that case the whole question of jurisdiction is determined on the Columbian Fuel.

The Chairman:
There is also a question of whether the pipe line company is involved directly in the control of gathering and production.

Mr. Dougherty:
We are not saying that you have no right to inquire into the cost of production and gathering as to the gas that moves in our main pipe line.

The Chairman:
What I mean is: there is a case for distinguishing the two cases quite definitely.

Mr. Dougherty:
On language, but not on principle, sir, if the Commissioner please. In other words, if it would be out from under the jurisdiction of the Act, you have to be engaged solely in distribution or solely in sale to industries, or

solely in production and gathering. I think the principle of law I don't believe is applicable under any of these situations because it is only that part of the activities that give you jurisdiction, so that we have built up an additional business in our field and we have sold those pipe line companies this quantity of gas and I have explained the whole thing about the distribution. I might say that I think on the basis of the character of operations, that the distinction that this company—because it has a pipe line that is similar, in its activity similar to somebody that is a producing company, to me is a very narrow distinction that I don't believe is justified with the corresponding facts as to either what the statute intended or what your ultimate decision was in the Columbian case.

I think, really, there is nothing more to say in reply. We have, in our brief, all these questions on dollars.

I realize the position the Commission has taken with respect to them. I do think we have a proposition on our rate of return situation here which deserves careful consideration.

The Chairman:

Thank you very much.

Unless there are further statements, I think that the hearing will be adjourned.

(Whereupon, at 12:55 o'clock p. m., the hearing was adjourned.)

HEARING EXHIBIT No. 1.

Federal Power Commission, Docket No. G-132, et al. Date Introduced 6/17.

Louisiana Public Service Commission,
Baton Rouge.

Wade O. Martin, Chairman
St. Martinville, La.
John S. Patton,
Homer, La.
Nat B. Knight, Jr.
Gretna, La.
P. A. Frye, Secretary
Baton Rouge, La.
Alex Grouchy,
Asst. Secretary
W. P. Thomas,
Supt. of Gas. Div.

In Reply Refer to Our File No. ...

I, P. A. Frye, Secretary of the Louisiana Public Service Commission, do hereby certify that the hereto attached is a true and correct copy of Order No. 2090, issued by Louisiana Public Service Commission out of Docket No. 2720, entitled "Louisiana Public Service Commission-vs-Interstate Natural Gas Company, Inc. In re: Rates, charges and practices for gas service within the State of Louisiana", the original of said Order No. 2090 being on file and of record in the office of the Louisiana Public Service Commission, at Baton Rouge, Louisiana.

In Testimony Whereof I Have Hereunto Signed My Name Officially on this the 4th day of June, 1942, and

affixed the seal of the Louisiana Public Service Commission, at Baton Rouge, Louisiana.

P. A. FRYE,
(Seal) Secretary, Louisiana Public Service Commission.

Louisiana Public Service Commission.

Order No. 2090.

Louisiana Public Service Commission
vs. No. 2720.
Interstate Natural Gas Company, Inc.

In re: Rates, charges and practices for gas service within the State of Louisiana.

This proceeding began with an order of this Commission, June 14, 1937, directing Interstate Natural Gas Company, Inc., to show cause why its rates, charges and practices as to gas service within the State of Louisiana should not be investigated, revised, modified and/or reduced. The Company on June 21, 1937, filed an exception to the jurisdiction of this Commission; testimony was taken and a brief filed on behalf of the Company, and on January 19, 1939, the case on jurisdiction was taken under advisement.

The Company in its brief denies jurisdiction of this Commission on three grounds: 1, that the Company is not a common carrier pipe line; 2, that it is not a public utility; and 3, that a preponderance of the gas sold by it is sold in and as a part of its interstate commerce.

As to the Company's being a common carrier pipe line, denial of such status is based upon Act 76 of 1920 of the

Legislature of Louisiana, amending Act 36 of 1906. The 1906 statute stated "that all pipe lines through which gases, oil or other liquids are conveyed from one point in the State to another point in the State for a consideration are hereby declared to be common carriers, and are placed under the control of and subject to regulation by the Railroad Commission of Louisiana." The 1920 amending statute omitted reference to gas and mentioned only pipe lines carrying crude petroleum. Whether or not it was the intent of the Legislature to remove gas pipe lines from the jurisdiction of the Railroad Commission (now Public Service Commission) and whether that could constitutionally be done, is a question the answer to which is not vital to the issue of jurisdiction, inasmuch as the latter does not depend exclusively upon the Company being a common carrier pipe line.

More important is the question whether this Company is legally a public utility. If it is a public utility, it is undoubtedly subject to the jurisdiction of this Commission, so far as intrastate functions are concerned, inasmuch as Article 6 of the Louisiana Constitution of 1921 gives this Commission jurisdiction over gas utilities.

The Company relies on various considerations in denying a public utility status. It refers to the following provision in its articles of incorporation under the laws of the State of Delaware (April 1, 1926):

"Provided that nothing herein shall be construed to authorize the corporation to transport natural gas for others as a carrier for hire, or to sell natural gas for others as a carrier for hire, or to sell natural gas except by special contract, or to constitute the corporation a common purchaser of natural gas or a public utility corporation." (Interstate Exhibit B-21.)

It likewise asserts that it has never sought or exercised the power of eminent domain, does not hold itself out as ready to transport or sell natural gas to the public, and that while selling gas at wholesale to distributing agencies, it in no manner exercises any control or influence over any of its customers.

These assertions are not conclusive as to the question whether this company is or is not a public utility. Its statements in its articles of incorporation, particularly when the act of incorporation occurred in another state, are not proof of the actual character of its business in Louisiana. Although the exercise of eminent domain by this company might well be conclusive that it is a public utility, its avoidance of the exercise of such power is by no means conclusive that it is not a public utility. It merely proves that it has been able to conduct business without the use of eminent domain.

It is of incidental interest to note that, regardless of the Company's assertions that it is not a public utility, it is classed as a public utility in financial circles. Since its beginning it has been included in the public utilities volume of Moody's Manual of Investments, rather than in the Volume of Industrials. An illustration of how the facts belie the alleged purpose, it may be observed that although the descriptive matter in Moody's Manual has continued to state, that the Company was incorporated "to supply under contract the fuel requirements of the oil refinery of Standard Oil Company of Louisiana located at Baton Rouge, any excess quantities of gas above such requirements to be marketed along route of pipe-line", the quantity sold to Standard Oil Company in the twelve months ending with June, 1938, was less than 13 percent of the total sales, and less than 10 percent of the total quantity of gas sold or transported.

The fundamental and vital point as to whether this company is a public utility lies in the nature of the business which it does, and particularly as to the importance of its business to the public, linked with its inherently monopolistic character.

We need not enlarge upon the obvious fact that the distribution of gas is a highly important and practically essential public service in all but the very smallest communities, and in a State like Louisiana where natural gas is available, that type of gas would ordinarily be used rather than manufactured gas.

The small and medium sized communities, as a practical matter, are entirely dependent on the pipe-lines for a supply of gas. If there is one of the latter nearby, it may be feasible for such a community to obtain gas for local distribution; if not, and if the community is not in a gas field, no one is likely to build a pipe-line to supply it alone. Hence the community has no real bargaining power; it must take the gas at the Company's price or leave it, unless the state can regulate. Lack of affiliation does not produce arm's-length bargaining in any equal sense; and alleged competition with other fuels does not provide effective regulation of so distinct and convenient a natural product as natural gas. The supplying of natural gas by a pipe-line company to local distributors is as essential a public utility service as the distribution itself.

The Interstate Company denies that it exercises any control or influence over any of its customers; but its contracts indicate the attempt to direct such operations in various ways, beyond its immediate interests in having correct measurements of the total gas delivered and of the amounts sold for different uses for which differ-

ent rates are charged, and of course, in getting payment for the gas sold. For example, the following paragraph occurs in several contracts:

"The Vendee agrees to use its best endeavors to secure all reasonably profitable consumers of natural gas; to introduce appliances adapted for the use of natural gas for heat and power; and the Vendee further agrees that it will make such representations and solicitations as are reasonable and customary to induce a greater consumption of natural gas. The Vendee further agrees that it will make such extension or other changes in its mains and distributing system as will be necessary to reasonably accommodate and supply the requirements of the public for gas, but the Vendee shall not be obligated to make such extensions as are not commercially feasible, or where the investment will not be justified by sufficient net earnings."

Another paragraph (as, for example from the contract of September 17, 1932 with Peck Gas Co.) is as follows:

"The Vendee shall use reasonable diligence to keep its system in proper repair, free from leaks and loss, and generally in good and efficient condition."

This illustrates the control exercised over the operations of vendees, even though the contract provides in a pervious paragraph:

"It is understood and agreed that no allowance shall be made for leakage, it being the intention of the parties hereto that all gas delivered by the Vendor to the Vendee shall be paid for by the Vendee to the Vendor as above stipulated."

Further paragraphs which are concerned intimately with Vendee operations are the following:

"The Vendee shall keep proper books, records and accounts according to approved methods so as to reflect accurately the total quantity of gas sold to all classes of consumers.

"The Vendor shall have the right at all reasonable times to go upon the property of the Vendee and to make such inspection and investigation of same as it desires, and this shall include the right to inspect the Vendee's books, accounts, meters and records for the purpose of informing itself as to the sales of gas and the condition of the Vendee's plant and system, including all meters and the operation of same, for the Vendor's information in the settlement of accounts between the parties hereto.

"The Vendee also agrees to use its best endeavors to keep the gas in its mains throughout its entire system at as nearly a constant and uniform pressure as possible to furnish an efficient and adequate supply of natural gas throughout the town."

The Natural Gas Act of 1938, which gives the Federal Power Commission control over gas transported and sold in Interstate commerce, recognizes the public utility character of natural gas pipe lines by stating that "the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest, and that Federal regulation in matters relating to the transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest". (Section 1 (A)).

The Interstate Company has filed with the Federal Power Commission certain data, in considerable detail,

in response to that Commission's Order No. 51 and the questionnaire authorized by that order. According to its counsel, it did so "with the full reservation of any disposition the Courts might make as to the legality of this act" (Record, Page 25). There appears to be no question that, assuming the Natural Gas Act to be constitutional (which the Interstate Company evidently does not itself deny), this company in its interstate aspects is "affected with a public interest", and is subject to the jurisdiction of the Federal Power Commission. In fact, in the one contract with a distribution agency which has been made since the Natural Gas Act became effective—the contract with the Town of St. Francisville, made as of October 28, 1938 (Interstate Exhibit B-19)—the jurisdiction of the Federal Power Commission is recognized, in the following paragraph from the contract:

"Before this agreement can be effective it must be filed with the Federal Power Commission pursuant to the terms of the Natural Gas Act passed by Congress June 14, 1938 and effective June 21, 1938, and the rules and regulations of the Commission promulgated thereunder. Such filing will be made by Vendor, and in the event the same does not become effective within at least thirty (30) days, then this agreement shall become null and void and not binding on either party."

If the transportation and sale of natural gas in interstate commerce by this company is so affected with a public interest as to bring it under regulation of a Federal agency, the transportation and sale of the gas in intrastate commerce in Louisiana is similarly so affected with a public interest as to subject it to regulation by the Louisiana Public Service Commission.

The business of the Interstate Company includes the sale of natural gas and also the transportation of natural

gas for another company, viz, United Gas Pipe Line Company. The latter company delivers gas to the Interstate Company in northeast Louisiana, for transportation in the Interstate pipe-line which crosses the southwest corner of Mississippi and terminates near Baton Rouge. At that point the gas that has been transported for the United Company enters the latter company's pipe-line extending to New Orleans.

The gas that is sold by the Interstate Company falls into four main categories: (1) gas produced or purchased in the Monroe field in northeast Louisiana and there sold to other companies, without utilizing the main pipe-line of the Interstate Company; this is claimed to be delivered without interruption to other states; (2) gas sold in Louisiana from the main pipe-line before the latter crosses into Mississippi; (3) gas sold in Mississippi, from the main pipe-line; (4) gas sold in Louisiana from the main pipe-line after it has passed through Mississippi.

The Company's answer to the Federal Power Commission's questionnaire (Interstate Exhibit B-29) show that in the twelve months from June 26, 1937, to June 25, 1938, inclusive, the quantity of gas transported for the account of United Gas Pipe Line Company was 22,274,-127 M. cu. ft. (22,274,127,000 cubic feet). The quantity of gas delivered by the Interstate Company to its other customers in the same period (or in the case of some of its customers, in the period from June 1, 1937, to June 30, 1938, inclusive) was 44,564,493 M. cu. ft., of which quantity 7,008,775 M. cu. ft. was sold to the United Company for New Orleans, and this is evidently included in the 22,274,127 M. cu. ft. of gas transported for the United Company.

The quantity of gas that was sold directly in the Monroe field to other gas companies, (aside from the 7,008,-

775 M. cu. ft. just mentioned, which was for ultimate public consumption in Louisiana) and which was claimed to be for ultimate consumption outside of Louisiana, was 15,450,166 M. cu. ft., delivered to the following companies:

Arkansas-Louisiana Gas Co.	318,162 M. cu. ft.
Mississippi River Fuel Corp.	5,095,411 M. cu. ft.
Southern Natural Gas Co.	5,153,629 M. cu. ft.
United Gas Pipe Line Co.:	
Dixie Gulf Gas Co.	1,674,544 M. cu. ft.
Memphis Natural Gas Co.	3,208,420 M. cu. ft.
	15,450,166 M. cu. ft.

The quantity of gas that was disposed of, for local use in Louisiana, from the main pipe-line before crossing into Mississippi, was 78,224 M. cu. ft., as follows:

United Gas Pipe Line Co. (for purging field lines, Ouachita Parish)	437 M. cu. ft.
Operation of Richland Receiving Station Alto, La.	3,305 M. cu. ft.
Louisiana Power & Light Co. (For Wisner, Gilbert and Ferriday, La.)	40,955 M. cu. ft.
Peck Gas. Co.	4,062 M. cu. ft.
Sicily Island Gas Co.	10,595 M. cu. ft.
J. M. Jones Lumber Co., Ferriday	4,800 M. cu. ft.
Town of Vidalia	12,463 M. cu. ft.
Whitehall Plantation, Vidalia	1,607 M. cu. ft.
	78,224 M. cu. ft.

The quantity of gas sold in Mississippi was 223,309 M. cu. ft. and the quantity sold in Louisiana after the gas had passed through Mississippi was 21,804,019 M. cu. ft.,

in addition to which was the 22,274,127 M. cu. ft. transported to Baton Rouge for the United Company and turned over to that company's Louisiana pipe-line.

From the above it appears that 15,450,166 M. cu. ft. of gas was sold in Louisiana without passing through another state, but claimed to have been transported by the buyers beyond the state boundaries; 78,224 M. cu. ft. was disposed of for local use in Louisiana without crossing the state line (3,305 M. cu. ft. of which was for operation of the Richland Receiving Station, presumably by the Interstate Company itself, leaving 74,919 M. cu. ft. sold to others); 223,309 M. cu. ft. was sold in Mississippi, in purely interstate commerce; 21,804,019 M. cu. ft. was sold by the Interstate Company and 22,274,127 M. cu. ft. (less losses) by the United Company in Louisiana after having passed through Mississippi. Thus a part of the business of the Interstate Company is purely intrastate, another part is purely interstate, while the remainder involves the crossing of state lines, either before or after sale; and the major part of the business is in Louisiana and is of great concern to this Commission.

It should be noted further that of the 74,919 M. cu. ft. sold in Louisiana for local use, without state lines being crossed, 68,075 M. cu. ft. was designated as for ultimate public consumption (being the total of the amounts sold to Louisiana Power and Light Co., Peck Gas Co., Sicily Island Gas Co., and Vidalia.) Of the 21,804,019 M. cu. ft. sold in Louisiana after passage through Mississippi, the major portion was for industrial use, but the following was designated as for ultimate public consumption:

Town of Jackson	11,107 M. cu. ft.
Town of Zachary	2,978 M. cu. ft.
Baton Rouge Electric Company	868,429 M. cu. ft.
Suburban Public Service, Inc.	14,004 M. cu. ft.
Village of Gonzales	7,012 M. cu. ft.
Reserve Public Utilities Corporation	12,127 M. cu. ft.

Norco Gas & Fuel Company	12,883 M. cu. ft.
LaPlace Gas & Fuel Company	5,003 M. cu. ft.
	933,543 M. cu. ft.

In addition, 8,558,553 M. cu. ft. was sold to the Louisiana Steam Generating Corporation, at Baton Rouge, as fuel for the generation of steam and electric energy, much of the latter being for ultimate public consumption; and of the 22,274,127 M. cu. ft. transported to Baton Rouge for the United Company, a large part—presumably much the major part—was for ultimate public consumption.

In view of all the foregoing, we conclude that Interstate Natural Gas Company, Inc., is a public utility subject to the jurisdiction of this Commission. It is, therefore,

Ordered, that Interstate Natural Gas Company, Inc., give this Commission and its representatives access to its property, books and records, for the purpose of determining fair and reasonable rates and charges for gas transported or sold in intrastate commerce in Louisiana.

By Order of the Commission.

Baton Rouge, Louisiana, February 1st, 1939.

(Signed) WADE O. MARTIN,
Chairman,
(Signed) JAMES P. O'CONNOR,
Commissioner,
(Signed) JOHN S. PATTON,
Commissioner.

(Signed) P. A. FRYE,
(Seal) Secretary.

Attest: A true copy:
(Signed) P. A. FRYE,
Secretary.

EXHIBIT No. 3.

Interstate Natural Gas Company, Incorporated.

General Description of Organization.

Property and Business.

I.

Organization and Property.

Interstate Natural Gas Company, Incorporated (herein referred to as "Interstate") was organized under the laws of the State of Delaware on April 1, 1926 with an authorized capitalization of 1,000,000 shares of capital stock without par value.

The Company was organized pursuant to an agreement dated October 9, 1925 between Standard Oil Company (New Jersey) and Ford, Bacon & Davis, Inc. This agreement has been introduced as Exhibit 4 in this proceeding. Summarized, the agreement states that Standard Oil Company (New Jersey), which owned the entire capital stock of Standard Oil Company of Louisiana, desired to reduce the fuel costs at the latter Company's refinery at Baton Rouge, Louisiana, by the use of natural gas; that it was believed important deposits of natural gas existed in the Monroe field in Louisiana; that Ford, Bacon & Davis, Inc., should act as its agent in acquiring certain gas reserves in that field; that if Ford, Bacon & Davis, Inc., were successful in acquiring these reserves, Standard Oil Company (New Jersey) would cause to be formed a natural gas company to develop and operate said gas reserves and that Standard Oil Company of Louisiana would enter into a contract to purchase gas for the fuel supply of the Baton Rouge refinery.

The circumstances leading up to the making of this agreement were testified to upon January 22, 1940, by William von Phul, then President of Ford, Bacon & Davis, Inc., and the first President of Interstate Natural Gas Company, Incorporated. This testimony was taken in a proceeding entitled "In the Matter of Interstate Natural Gas Company, Incorporated" as FPC Docket No. G-146 (See official stenographer's report of January 22, 1940, pages 36-50). An abstract of this testimony is as follows:

In 1923 and 1924, Ford, Bacon & Davis, Inc. became interested in the Monroe gas field and made a thorough investigation of it. This was done in connection with the construction of the Sterlington Power Station for the Southern Light & Power Company located in the Monroe field. Ford, Bacon & Davis, Inc. became convinced that there were large volumes of gas in the Monroe field which should be used for other purposes than for the power station and carbon black manufacture. They sought to get Standard Oil Company (New Jersey) interested in a pipe line from the Monroe field to Baton Rouge which they proposed to construct, provided a contract could be obtained from Standard Oil Company of Louisiana for the use of gas in the refinery at Baton Rouge. The Standard Oil Company of Louisiana was and is a wholly-owned subsidiary of Standard Oil Company (New Jersey). Negotiations were carried on with officials of Standard Oil Company (New Jersey) throughout most of the year 1925, resulting in the making of the agreement of October 9, 1925.

Pursuant to the agreement Ford, Bacon & Davis, Inc. proceeded to assemble the acreage in the field for this project. It was originally expected that something over 100,000 acres would be assembled, but because Southern

Carbon Company and United Carbon Company declined to sell their acreage, the contract was modified to provide for long term contracts with those companies for the sale of gas to Interstate.

The primary market to be served was the refinery of the Standard Oil Company of Louisiana at Baton Rouge and certain industrial companies south of Baton Rouge as far as Destrehan. It was expected that the initial capacity of the line would be 80,000,000 to 90,000,000 cubic feet per day, and the refinery was expected to take 60,000,000 to 70,000,000 cubic feet per day.

The firm of Ford, Bacon & Davis, Inc. was given a management contract for a period of five years, this being renewed in 1932 for a further period of three years, and ending in 1935. Mr. von Phul made a number of the original contracts for the sale of gas, including those with Godchaux Sugars, Colonial Sugars, Standard Oil Company of Louisiana, and the Baton Rouge Electric Company for resale to domestic and industrial customers within the city limits of Baton Rouge.

Interstate was approached by small communities and by distributing companies along the main line for the purchase of gas and contracts were made with various distributing companies or communities from time to time. The sale of gas to such distributing companies or communities for resale has always been a minor part of the total gas transported through the pipe line, it being under 3% at the time Mr. von Phul gave his testimony. (End of abstract of Mr. von Phul's testimony.)

The gas acreage assembled for Interstate by Ford, Bacon & Davis, Inc. in 1926 consisted of approximately 46,800 acres of gas lands in the Monroe field. This com-

prised: 40,205.97 acres of gas rights and leases (together with 11 producing wells, gathering and other facilities including a carbon black plant) purchased from Union Power Company; 3,956.10 acres and one well purchased from The Texas Company; 1,262.50 acres from Frost Lumber Industries, Inc.; 1,667.48 acres from A. G. Stephenson Trustee; and 113.33 acres from Southern Carbon Company. At the same time Interstate directly acquired approximately 5,650 acres of gas lands from some 30 individuals.

Since the initial construction period and in addition to the routine acquisition of individual leases, Interstate has acquired 1,155 acres of gas lands and one well from Transcontinental Oil Company; 300 acres of gas rights from Mineral Lands, Inc.; 1,846.98 acres from Louisiana Gas Lands, Inc.; and, from the Win or Lose Corporation, a mineral oil and gas lease to state lands consisting of 10 drilling units in the beds of the Ouachita River and adjoining bayous. In June, 1935, approximately one year prior to termination by prescription, those gas rights acquired from Union Power Company and Frost Lumber Industries, Inc., which had not been perpetuated by drilling, were renewed for another 10-year period.

Exhibit 5 is a map of the Monroe field showing the gas acreage owned by Interstate and by certain other designated companies in that field. This is referred to as the Acreage Map Exhibit. Symbols on the map identify the companies owning the gas acreage, and the locations of the various wells.

Since 1927, when the first well was drilled by Interstate, a total of 94 producing wells have been completed without encountering a dry hole. Of this number, only 18 were drilled between 1927 and the end of 1934. The

balance were drilled as follows: 7 in 1935, 15 in 1936, 19 in 1937, 11 in 1938, 7 in 1939, 7 in 1940, and 10 in 1941. The Company now plans to drill 7 additional wells during 1942.

Also since 1927, Interstate has purchased 5 wells as follows: 1 in 1929; 2 in 1936, and 2 in 1941.

Exhibit 6 is a map of the wells (of Interstate) in the Monroe field and of the field lines constituting the gath-

* Excludes four wells lost to Abe Arent.

ering system connected with the wells and through which deliveries of gas are made to customers in the field and to the DeSiard Compressor Station at Fowler. This is referred to as the Field Line Map Exhibit. Gas wells and field lines are indicated by appropriate symbols as shown. This map also shows the beginning of the main 22" pipe line, T-1, and the beginning of the 16" pipe line, T-9, those two being a part of the transportation system of Interstate. The DeSiard Compressor Station of Interstate is located near a small community named Fowler, and this compressor station is the starting point of the transportation system.

In the latter part of 1926, Ford, Bacon & Davis, Inc. completed the construction of the 22" transmission pipe line, 170 miles in length, from Fowler, Louisiana to Baton Rouge, Louisiana. Deliveries were first made (early) in 1927. The line extends in a southeasterely direction to the Mississippi River, which it crosses near Natchez, Mississippi. It then continues in a southerly direction through Mississippi, crossing the Louisiana-Mississippi state line, to its terminus near Baton Rouge. Incorporated into this line were several completed sections

of the so-called Morris Line, purchased from H. C. Morris, Trustee, and Henry D. Walbridge, these sections comprising short multiple lines through swamps and across streams.

Initially, a single compressor station, named DeSiard, was constructed near Fowler in 1926, this station having an initial installed horsepower of 5400. As so constructed, the line had a delivery capacity of 77,000,000 cubic feet per day at Baton Rouge.

In the subsequent development of the transmission facilities, 20" or 22" loop lines have been installed paralleling the original line for the major portion of its length. These loops were completed as follows: 20 miles in 1929, 59 miles in 1930, 1.5 miles in 1931, 5.5 miles in 1933, 4.5 miles in 1935, and 24 miles in 1937. The loop lines thus parallel 114 miles of the original 22" line. In 1937 a 16" pipe line extending from Perryville, Louisiana in the Monroe Gas Field to a point of connection with the Company's main line near Alto, Louisiana was purchased by Interstate from the Mississippi River Fuel Corporation. This 16" line is 26 miles in length.

In 1928, Brock Compressor Station was installed at Ferriday, Louisiana with 5400 horsepower. The compressing capacity of Brock Station was increased to a total of 7,900 horsepower with the addition of 1,250 horsepower in each of the years 1929 and 1930. The capacity of DeSiard Station was increased to a total of 7,200 horsepower by the addition of compressing units of 1,200 horsepower in 1935 and 600 horsepower in 1939.

The result of these several additions to the original line has been to increase the daily delivery capacity of the main line at the Baton Rouge terminus to approximately 170,000,000 cubic feet per 24 hours.

Exhibit 7 is a map showing the main transmission line of Interstate from DeSiard Compressor Station to Baton Rouge and the pipe line of United Gas Pipe Line Company from Baton Rouge to New Orleans. This is referred to as the Main Line Map Exhibit. There are also shown various pipe lines which are utilized in making deliveries to customers of Interstate both from its main line and from the pipe line of United Gas Pipe Line Company between Baton Rouge and Destrehan, Louisiana. There are also shown certain gathering pipe lines used to deliver into the line of the United Gas Pipe Line Company and to the Gulf States Utilities at Baton Rouge the gas purchased by Interstate in the University, LaPlace, and LaPice fields between Baton Rouge and Destrahan. The main pipe line of Interstate ends on the north side of Baton Rouge and does not run up to or pass by Baton Rouge. The main transmission lines consist of the line marked as "T-1" and also the loop line "T-9". River, swamp, and bayou crossings are made up of multiple lines, a number of smaller lines being used because of the difficulty of constructing lines under water and as a protection against floods; these crossings are shown as quadruple lines on the map at several points. The Mississippi River crossing is shown just a little southwest of Natchez, there being eight 10" lines at that point. Points of deliveries to the various customers of Interstate are shown by numbers, the identifying legend which explains these numbers being on the map.

Interstate makes delivery of gas to United Gas Pipe Line Company at a point of connection north of Baton Rouge. United Gas Pipe Line Company transports the major portion of this gas for delivery to local distributing companies at the City of New Orleans and evirons. It delivers a small portion to Interstate at points along the United Gas pipe line, at which points Interstate delivers the gas to its own customers.

II.

General Description of Business.

A. Production and Purchase of Natural Gas

(1.) Since 1927, the Interstate Company has been engaged in producing natural gas in the Monroe Gas Field, Union, Morehouse, and Ouachita Parishes, Louisiana, said field and the Company's present wells being shown upon the Acreage Map Exhibit and the Field Map Exhibit. In the year 1941, the Company produced 28,819,814 Mcf of gas and in the 15-year period, 1927-1941, the Company has produced a total of 170,415,505 Mcf in this field.

(2.) (a) Since 1927, the Interstate Company has been engaged in purchasing natural gas at points upon its gathering system in the Monroe Gas Field, Union, Morehouse, and Ouachita Parishes, Louisiana. The producers from whom such purchases are made change from time to time and likewise the volumes purchased fluctuate with the demands placed upon the field and other factors. The total volume of gas purchased in 1941 was 22,655,322 Mcf, and the total volume of gas purchased in the 15-year period, 1927-1941, was 352,516,082 Mcf. The producers from whom the Company is now purchasing gas and the points of delivery are listed in the following table:

Producer	Point of Delivery
Hope Producing Company	Seller's Well.
	Seller's Meter Station.
J. B. Bond, et al	Seller's Well.
Louisiana Gas Lands, Inc.	Seller's Well.
Southern Carbon Company	Perryville, La.
	Fairbanks, La.
	Guthrie, La.
Fred Stovall	Seller's Well.
United Carbon Company	Cargas, La.
	F-13.
	Seller's Well.

The points of delivery from such producers are shown upon the Field Map Exhibit.

(2.) (b) Since November, 1939, the Company has been engaged in purchasing gas in the University Field, East Baton Rouge Parish, Louisiana, said field being shown upon the Main Line Map. The volume of gas purchased in this field in 1941 was 4,811,901 Mcf, and the total volumes purchased in the years 1939-1941 were 7,694,851 Mcf.

At the present time the Company is purchasing gas in such field from the following producers:

Producer	Point of Delivery
Wm. Helis, et al.	Buyer's Meter Station in Field.
Lisbon Iberia Oil Corporation	Buyer's Meter Station in Field.
Addision Outwater and Sugar Field Oil Company, Inc.	Buyer's Meter Station in Field.
Sugar Field Oil Co., Inc.	Buyer's Meter Station in Field.

The gas so purchased is gathered by the Company in pipe lines in the University Field.

(2.) (c) Since 1939, the Company has been engaged in purchasing gas under a private contract from the Shell Oil Company, Inc. at a point in the LaPice Field, St. James Parish, Louisiana, which field is shown upon the Main Line Map Exhibit. The volume of gas so purchased in 1941 was 2,099,165 Mcf, and the total volume purchased in the period 1934-1941 has been 4,131,729 Mcf. The Company gathers the gas so purchased in a pipe line operated by it in the LaPice Field.

(2.) (d) Since 1940, the Company has been engaged in purchasing gas under private contracts in the LaPlace Field, St. John The Baptist Parish, Louisiana, which Field is shown upon the Main Line Map Exhibit. At the present time this gas is purchased from the Pan-American Production Company and Shell Oil Company, Inc. In 1940, 1,028,762 Mcf and in 1941 1,342,792 Mcf were purchased in this Field. The gas so purchased is gathered by the Company in pipe lines operated by it in the LaPlace Field.

B. Gathering of Natural Gas in the Monroe Gas Field

To gather gas produced and purchased, the Company has, since 1927, been engaged in operating a natural gas gathering system extending to wells and points of purchase in the Monroe Gas Field, Union, Morehouse, and Ouachita Parishes, Louisiana, said gathering system being constantly extended and changed as required by the Company's drilling and purchase operations. This gathering system is shown upon the Field Map Exhibit.

C. Sales in the Monroe Gas Field

Since 1928, the Company has been engaged in gathering and selling gas at wholesale under private contracts to selected companies at points upon its gathering system within the Monroe Gas Field, Union, Morehouse, and Ouachita Parishes, Louisiana. The volumes so sold fluctuate continuously from year to year. The total volumes of gas sold to the pipe line companies in 1941 were 26,738,512 Mcf, and the total volumes so sold in the 14-year period, 1928-1941, were 197,561,895 Mcf.

The companies to whom gas is sold in the Field vary from time to time. The major portion of these field

sales, of course, have been made to pipe line companies, but in the past sales have been made to an industrial customer in the field (i. e.: Sterlington Power Plant), and it is expected that sales of some magnitude may be made at a point in the field to a new industrial plant now under construction. At the present time, such sales are being made to the following companies:

(A) To the United Gas Pipe Line Company under a Contract dated November 26, 1934, on file with this Commission as Interstate's Rate Schedule FPC No. 15 at a delivery point near Fowler, Louisiana.

(B) To the United Gas Pipe Line Company under a Contract dated January 7, 1930, on file with this Commission as Interstate's Rate Schedule FPC No. 6 at a delivery point near Guthrie, Louisiana.

(C) To Mississippi River Fuel Corporation under a Contract dated August 1, 1929, on file with the Commission as Interstate's Rate Schedule FPC No. 4 at a delivery point near Perryville, Louisiana.

(D) To the Southern Natural Gas Company under a Contract dated April 1, 1941 on file with this Commission as Interstate's Rate Scheduled FPC No. 24 at a delivery point near Perryville, Louisiana.

The points at which gas is sold to the above companies are shown upon the Field Map Exhibit.

D. The Natural Gas Pipe Line System

The Company owns and operates a natural gas pipe line system for the purpose of transporting gas from points in the Monroe Gas Field to Baton Rouge, Louisi-

ana, a distance of 170.6 miles by pipe line, and to intermediate points along the route of these pipe lines. The Company also operates certain short transmission lines from points on the pipe line system of the United Gas Pipe Line Company to points of delivery to certain of Interstate's customers situated between Baton Rouge and Destrehan.

The routes traversed by this pipe line system are as follows:

1. Beginning at a point of connection with Interstate's gathering system in the Monroe Field near Fowler, Ouachita Parish, Louisiana; thence in a southeasterly direction through Ouachita, Richland, Franklin, Catahoula, and Concordia Parishes, Louisiana to a point on the Louisiana-Mississippi State Line near Vidalia, Louisiana; thence through Adams County, Mississippi, to a point on the Homochitto River; thence in a southerly direction through Wilkinson County, Mississippi, to a point on the Mississippi-Louisiana State Line; thence in a southerly direction through West Feliciana, East Feliciana, and East Baton Rouge Parishes, Louisiana, to a point near Baton Rouge, Louisiana.

2. Beginning at a point of connection with Interstate's gathering system in the Monroe Field near Perryville, Ouachita Parish, Louisiana; thence in a southeasterly direction through Ouachita Parish to a point in Richland Parish near the Town of Alto, where said pipe line route joins pipe line Route 1 above.

3. Beginning at a point of connection with Route 1 above in East Baton Rouge Parish, Louisiana, near Scotland; thence in an easterly direction to a point of connection with the pipe line system of the United Gas Pipe

Line Company near that company's Scotland Compressor Station, East Baton Rouge Parish, Louisiana.

4. Beginning at a point of connection with Route 1 above near Baton Rouge, East Baton Rouge Parish, Louisiana; thence to a point of connection with the plant of the Standard Oil Company of Louisiana, near Baton Rouge, Louisiana.

5. Beginning at a point of connection with the system of the United Gas Pipe Line Company near Sorrento, Ascension Parish, Louisiana; thence in a northeasterly direction to a point of connection with the mill of the DeHass-Eby Lumber Company, Inc. near Sorrento, Ascension Parish, Louisiana.

6. Beginning at a point of connection with the lines of United Gas Pipe Line Company near Gramercy, St. James Parish, Louisiana; thence in a southeasterly direction to points of connection with the plant of the Colonial Sugars Company and with the Norco Gas & Fuel Company, Inc. near Gramercy, St. James Parish, Louisiana.

7. Beginning at a point of connection with the lines of the United Gas Pipe Line Company in St. John The Baptist Parish, Louisiana; thence in a southerly direction to points of connection with the lines of the Reserve Public Utilities, Inc. and Godchaux Sugars, Inc. near the Town of Reserve, St. John The Baptist Parish, Louisiana.

Each such pipe line route is shown upon the Main Pipe Line Map Exhibit.

This pipe line system was installed and is maintained over the above routes exclusively under private rights of way and without the exercise of condemnation or eminent domain.

E. Sales for Resale from the Main Line System

(1.) The Company is engaged in selling gas at wholesale under private contracts to the following communities for resale and distribution:

(1) Town of Vidalia, Louisiana, under a contract dated July 21, 1938.

(2) Town of Woodville, Mississippi under a contract dated March 6, 1929 and on file with this Commission as Interstate's Rate Schedule FPC No. 1.

(3) Town of Centreville, Mississippi under a contract dated January 17, 1939 and on file with this Commission as Interstate's Rate Schedule FPC No. 22.

(4) Town of Jackson, Louisiana under a contract dated November 7, 1932 and on file with this Commission as Interstate's Rate Schedule FPC No. 13.

(5) Town of St. Francisville, Louisiana under a contract dated October 18, 1938 and on file with this Commission as Interstate's Rate Schedule FPC No. 21.

(6) Town of Zachary, Louisiana under a contract dated September 1, 1936 and on file with this Commission as Interstate's Rate Schedule FPC No. 18.

(7) Village of Gonzales, Louisiana under a contract dated August 10, 1931 and on file with this Commission as Interstate's Rate Schedule FPC No. 8.

The points of delivery to each of the above communities are shown upon the Pipe Line Map Exhibit.

(2.) The Company is engaged in selling gas at wholesale under private contracts to the following selected companies for resale in the territory served by those companies:

(1) To the Louisiana Power and Light Company under contracts dated June 15, 1928 and September 12, 1928 for resale in Gilbert, Wisner and Ferriday, Louisiana.

(2) To the Peck Gas Company under a contract dated September 17, 1932 for resale in the Town of Peck, Louisiana.

(3) To the Sicily Island Gas Company, Incorporated, under a contract dated June 2, 1930 for resale in the Town of Sicily Island, Louisiana.

(4) To the Mississippi Power and Light Company under a contract dated August 2, 1937 on file with your Commission as Interstate's Rate Schedule FPC No. 20 for resale in Natchez, Mississippi.

(5) To the Buffalo Gas Company under a contract dated October 19, 1932 and on file with your Commission as Interstate's Rate Schedule FPC No. 12 for resale in the Community of Buffalo Creek, near Wilkinson, Mississippi.

(6) To the Gulf States Utilities Company under a contract dated June 1, 1937 and on file with your Commission as Interstate's Rate Schedule FPC No. 19 for resale in Scotland and Baton Rouge; under a contract dated December 21, 1931 and on file with your Commission as Interstate's Rate Schedule FPC No. 10 for resale on Inniswold Plantation, Louisiana.

(7) To Suburban Utilities, Incorporated under a contract dated December 14, 1931 and on file with your

Commission as Interstate's Rate Schedule FPC No. 9 for resale in Goodwood Section, Louisiana.

(8) To Reserve Public Utilities Corporation under a contract dated July 15, 1930 and on file with your Commission as Interstate's Rate Schedule FPC No. 7 for resale in the Town of Reserve, Louisiana.

(9) To The LaPlace Gas and Fuel Company, Inc. under a contract dated November 25, 1929 and on file with your Commission as Interstate's Rate Schedule FPC No. 5 for resale in the Town of LaPlace, Louisiana.

(10) To the Norco Gas and Fuel Company, Incorporated under a contract dated January 16, 1932 and on file with your Commission as Interstate's Rate Schedule FPC No. 11 for resale and distribution to the Towns of Norco, Goodhope, and New Sarpy, Louisiana; under a contract dated October 28, 1935 and on file with your Commission as Interstate's Rate Schedule FPC No. 17 for resale and distribution in the Town of Destrehan, Louisiana; under a contract dated September 28, 1940 and on file with your Commission as Interstate's Rate Schedule FPC No. 23 for resale and distribution in the Towns of Lutcher, Paulina, and Gramercy, Louisiana.

The points of delivery to the above companies are shown upon the Pipe Line Map Exhibit.

F. Sales to Industrial Customers

Since 1927, the Company has been engaged in selling natural gas under private contracts to certain Main Line industrial customers. The total volume so sold in 1941 was 31,743,121 Mcf. and the total volumes so sold in the 15-year period, 1927-1941, were approximately 272,-

600,000 Mcf. The number of these industrial customers changes from time to time and the volumes so sold fluctuates continuously.

At the present time, the Company is selling gas to the following industrial customers:

Name—Point of Delivery

East Louisiana State Hospital—Tap on Main line near Jackson, Louisiana.

Standard Oil Company of Louisiana—Buyer's plant, Baton Rouge, Louisiana.

Ethyl Gasoline Corporation—Buyer's plant, Baton Rouge, Louisiana.

The Solvay Process Company—Buyer's plant, Baton Rouge, Louisiana.

Gulf States Utilities Company—West Shada Ave. and L. R. & N. Co., Baton Rouge, Louisiana.

Colonial Sugars Company—Buyer's plant, Gramercy, Louisiana.

Godchaux Sugars, Inc.—Buyer's plant, Reserve, Louisiana.

General American Transportation Corporation—Buyer's plant, Goodhope, Louisiana.

DeHass Eby Lumber Company, Inc.—Buyer's plant, Sorrento, Louisiana.

The points of delivery to the above customers are shown upon the Main Line Map Exhibit.

G. Transportation of Gas

Since 1929, the Company has been engaged in transporting gas for the Southern Gas and Fuel Company (now United Gas Pipe Line Company) under private contracts. The existing contract is dated November 26, 1934,

and, as amended and supplemented, is on file with the Federal Power Commission as Interstate's Rate Schedule FPC No. 16. The gas transported under this contract is received for transportation from the United Gas Public Service Company (now United Gas Pipe Line Company) at DeSiard Compressor Station at Fowler. The gas so received is transported by Interstate through transmission pipe line T-1 to Baton Rouge and is there delivered to Southern Gas and Fuel Company (now United Gas Pipe Line Company) at the point of connection near Scotland, East Baton Rouge Parish, Louisiana, from which point the gas is transported to the New Orleans area and there sold to the local distribution companies. By amendment to this contract, dated December 5, 1939, a portion of the gas which would otherwise be transported by Interstate under the contract from Fowler to Baton Rouge is displaced by gas supplied under the so-called Additional Gas Supply Agreement of December 5, 1939, as supplemented; under this Additional Gas Supply Agreement, a portion of the requirements of the New Orleans market is supplied from the Lirette and other south Louisiana fields.

Under another contract, gas is transported for United Gas Pipe Line Company through Interstate's pipe line T-1 as far as Alto, Richland Parish, Louisiana, and is there delivered to the United Gas Pipe Line Company.

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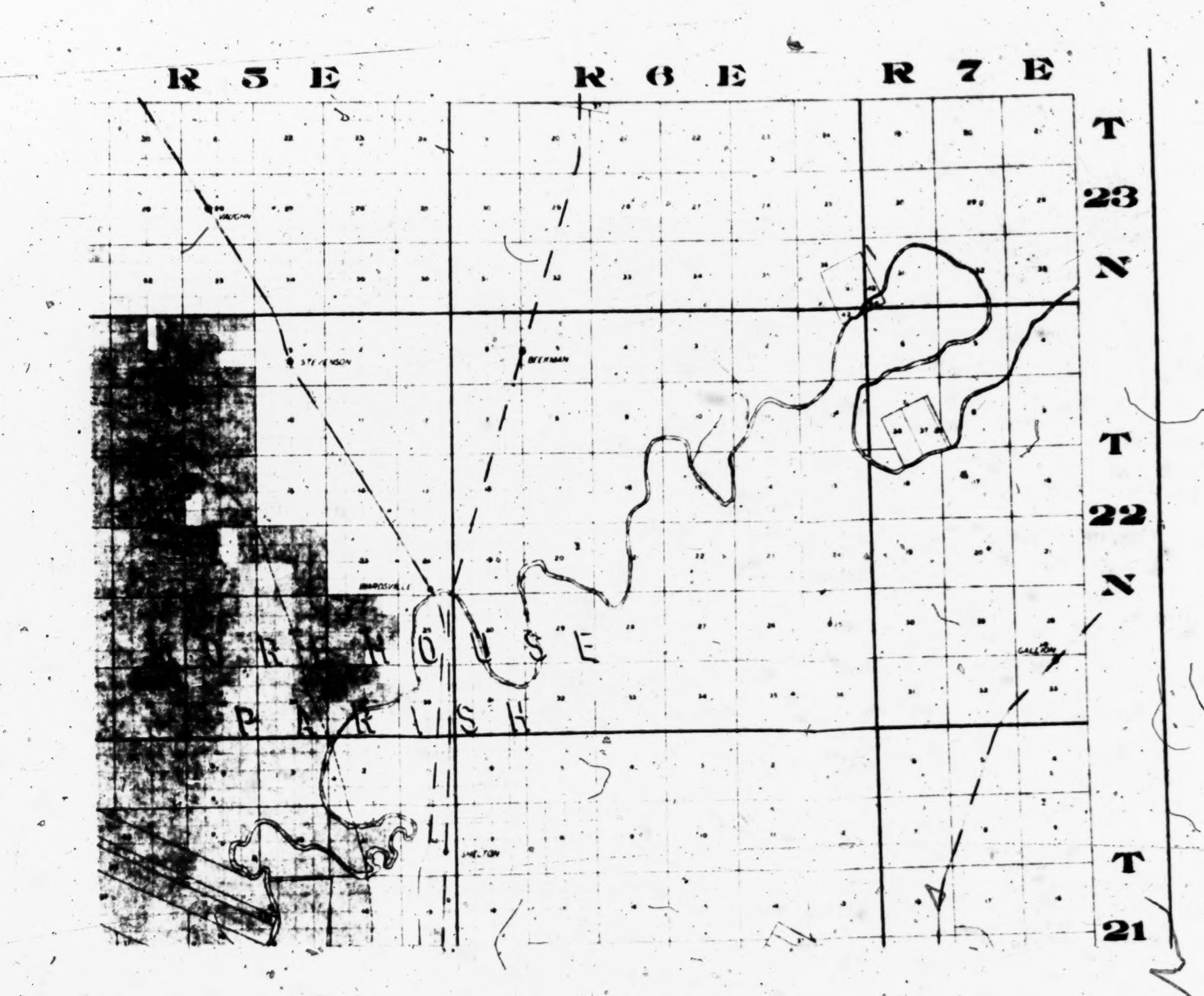
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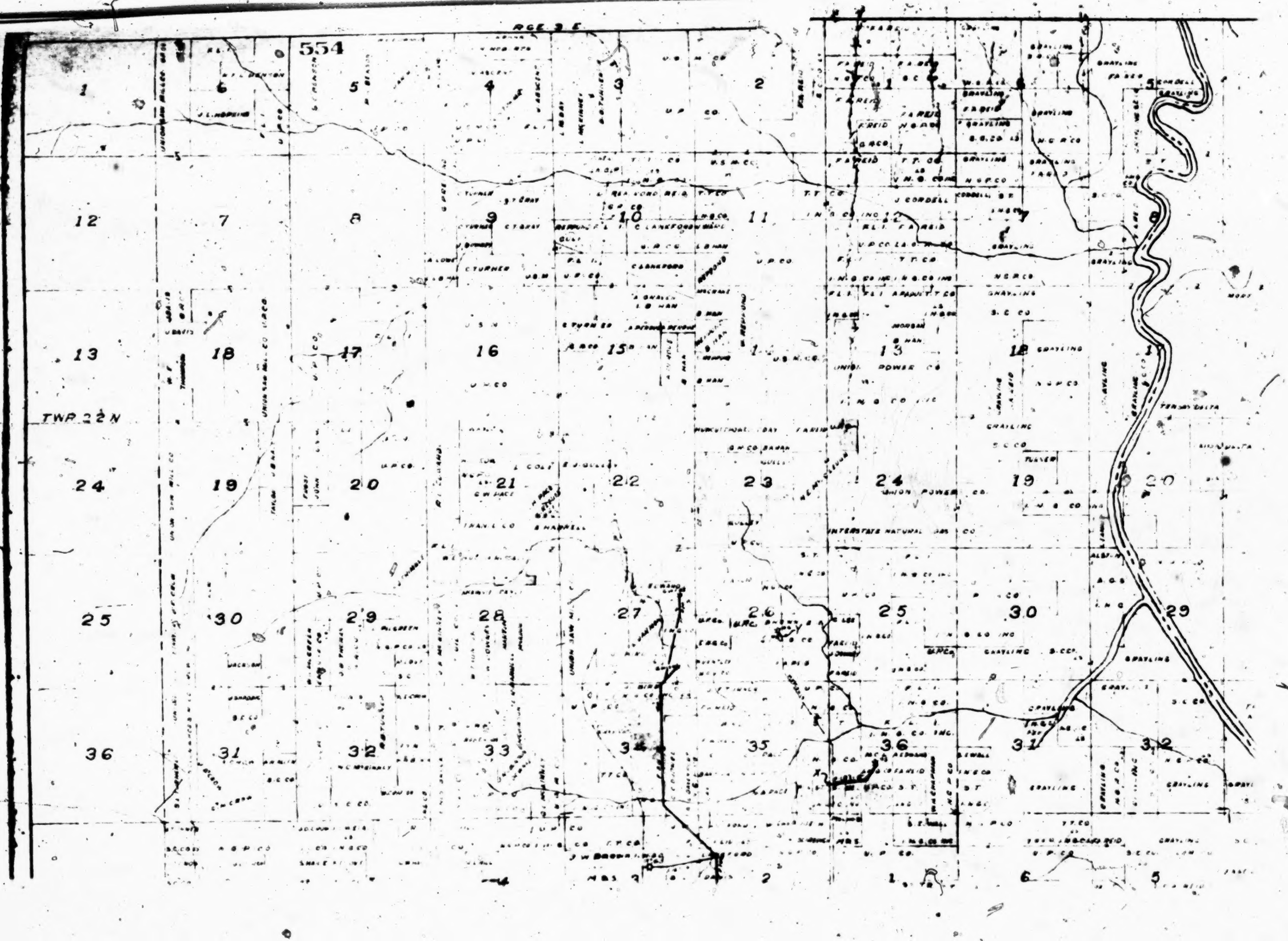
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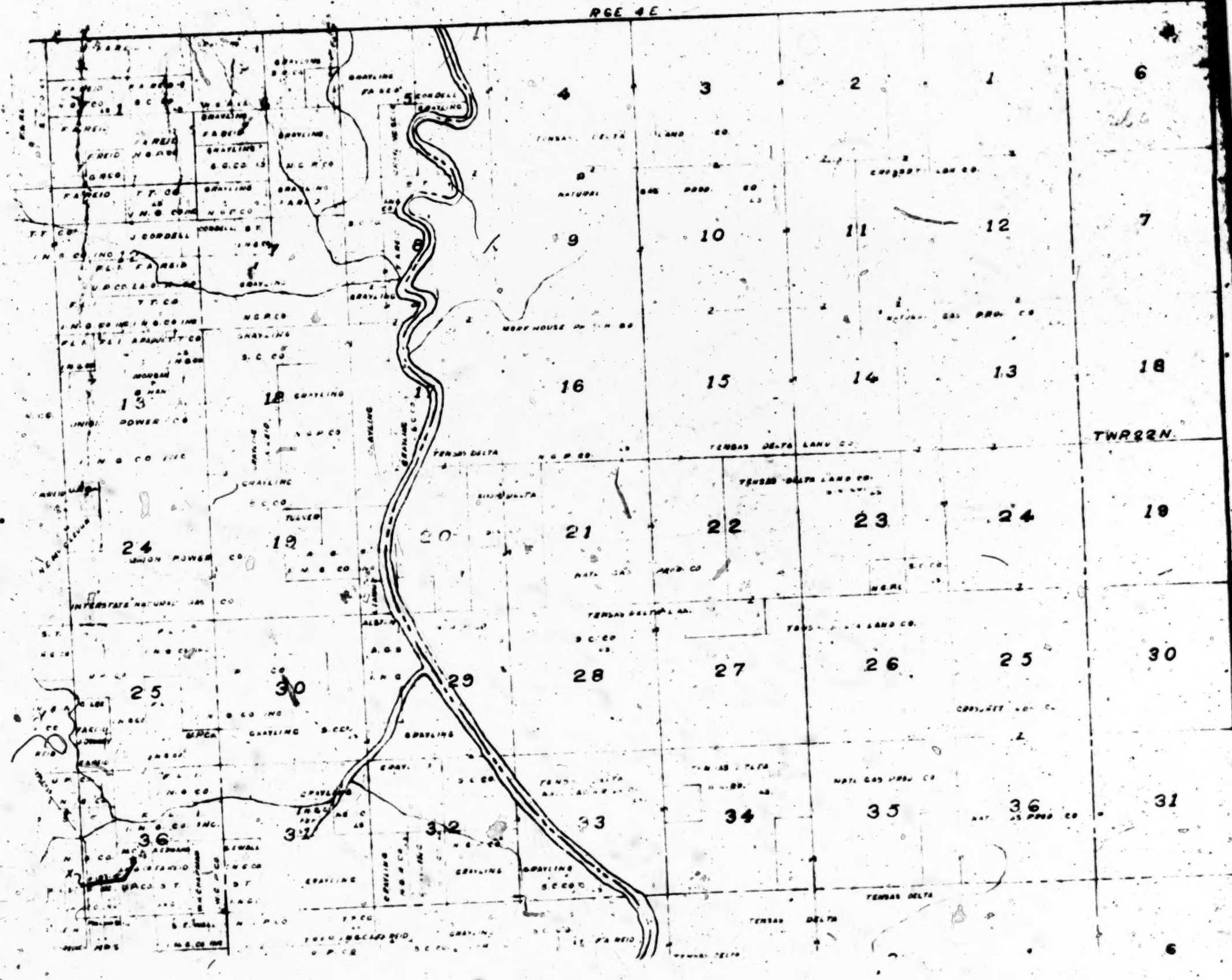
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TWP 22N.
TENSAS DELTA LAND CO.
NATURAL GAS PROD. CO.
INTERSTATE NATURAL GAS CO.
UNION POWER CO.
GRAYLING

EXHIBIT No 8.

Interstate Natural Gas Company, Incorporated,
and
Mississippi River Fuel Corporation.

Federal Power Commission Rate Schedule Designations.

Date of Agreement	Description	FPC Rate Schedule Designation	Effective Date	Filing Date	Remarks
8/ 1/29	Gas Sale Agreement	FPC No. 4	11/21/29	8/24/38	
8/ 1/29	Tax Reimbursement Agreement	Sup. No. 1 to FPC No. 4	11/21/29	8/24/38	
12/16/30	Agreement amending 8/1/29 agreement re Grosset Lumber Co.	Sup. No. 2 to FPC No. 4	12/16/30	8/24/38	
11/ 7/34	Agreement modifying 8/1/29 agreement re price of gas year beginning 11/21/34	Sup. No. 3 to FPC No. 4	11/21/34	8/24/38	
11/19/35	Agreement modifying 8/1/29 agreement re price of gas year beginning 11/21/35	Sup. No. 4 to FPC No. 4	11/21/35	8/24/38	
11/18/36	Agreement modifying 8/1/29 agreement re price of gas year beginning 11/21/36	Sup. No. 5 to FPC No. 4	11/21/36	8/24/38	
1/20/37	Agreement amending 8/1/29 agreement, extending term to 2/2/25, or later, modifying price, etc.	Sup. No. 6 to FPC No. 4	1/ 1/44	8/24/38	
10/19/39	Letter, Interstate to Federal Power Commission pursuant to Order No. 57, re periodic price change 11/21/39	Sup. No. 7 to FPC No. 4	.....	10/20/39	
3/ 5/42	Letter re War Production Board Limitation Order L-31	Exhibit A to Rate Schedule FPC No. 4	.....	.....	

Interstate Natural Gas Company, Incorporated,
and
Southern Natural Gas Company.

Federal Power Commission Rate Schedule Designations.

Date of Agreement	Description	FPC Rate Schedule Designation	Effective Date	Filing Date	Remarks
4/ 1/41	Gas Purchase Contract	FPC No. 24 (Schedule Rate Schedule FPC No. 14 and Supplements thereto)	7/1/41	.....	
4/18/41	Letter extending time for filing 4/1/41 agmt. with FPC.	.....	.....	.....	Expired
10/23/41	Letter to FPC re sale of Additional Monroe Gas for period 4-1-41/10-1-41	Exhibit A to Rate Schedule FPC No. 24	.....	.....	Expired
3/ 5/42	Letter re War Production Board Limitation Order L-31	Exhibit B to Rate Sched-			

Interstate Natural Gas Company, Incorporated,
and
United Gas Pipe Line Company.

Federal Power Commission Rate Schedule Designations.

Date of Agreement	Description	FPC Rate Schedule Designation	Effective Date	Filing Date	Remarks
11/26/34	Gas Purchase Contract	FPC No. 15	11/26/34	8/24/38	
9/25/37	Assignment 11/26/34 agmt. United Gas Public Service Co. to United Gas Pipe Line Co.	Sup. No. 1 to FPC No. 15	9/25/37	8/24/38	
9/ 5/39	Amendment to 11/26/34 Gas Purch. Contract	Sup. No. 2 to FPC No. 15	11/ 7/39	11/24/39	
9/ 5/39	Additional Gas Supply Agmt. (inc. Co. Exhibits "A" and "B", Gas Purch. and Gas Pipe Line Lease Agmts.)	Exh. C to Sup. No. 2 to FPC No. 15	11/ 7/39	11/24/39	
10/25/39	Lirette-New Orleans Agmt. re construction and operation by Int. & United of pipe line from Long, Bay Baptiste, DeLarge and Lirette Fields, La., Supplements 9-5/39 Addl. Gas Supply Agreement	Sup. No. 2 to Exhibit C to Sup. No. 2 to FPC No. 15			
3/29/40	Letter Agmt. re approval of gas sales for drilling at 15¢ per M under 9-5-39 Addl. Gas Supply Agmt.	Sup. No. 2 to Exhibit C to Sup. No. 2 to FPC No. 15			
5/15/40	Interstate's approval of United's contract with Godchaux Sugars under Lirette-New Orleans Agmt. of 1025-39	Sup. No. 3 to Exhibit C to Sup. No. 2 to FPC No. 15			
8/26/40	Amending, as of 12-28-39, 11-26-34 Gas Purchase & Transportation Agreements	Sup. No. 3 to FPC No. 15			
2/ 4/41	Letter agmt. re reimbursements by United Gas Pipe Line Co. of gathering taxes paid by Interstate under Act 153 of La. Legislature for Regular Session, 1940—expires 7/31/42	Sup. No. 4 to FPC No. 15	4/27/41	3/28/41	
3/ 5/42	Letter re War Production Board Limitation Order L-31	Exhibit A to Rate Schedule FPC No. 15			

Interstate Natural Gas Company, Incorporated,
and
United Gas Pipe Line Company
(a/c Memphis Natural Gas Company).

Federal Power Commission Rate Schedule Designations.

Date of Agreement	Description	FPC Rate Schedule Designation	Effective Date	Filing Date	Remarks
1/ 7/30	Gas Sale Agreement	FPC No. 6	1/15/30	8/24/38	
1/10/35	Letter Agmt. authorizing modification re price	Sup. No. 1 to FPC No. 6	1/10/35	8/24/38	Expired
1/10/35	Exh. Agmt. between United Gas Pub. Serv. Co. and Memphis Natural Gas Co.	Exh. A to Sup. No. 1 to FPC No. 6			Expired
11/21/35	Letter Agmt. authorizing modification re price of gas for Buckeye Cotton Oil Co.	Sup. No. 2 to FPC No. 6	12/ 1/35	8/24/38	Expired
11/27/35	Exh. Agmt. between United Gas Pub. Service Co. and Memphis Natural Gas Co.	Exh. A to Sup. No. 2 to FPC No. 6			Expired
2/19/37	Letter Agmt. authorizing modification re price of gas for Firestone Tire & Rubber Co.	Sup. No. 3 to FPC No. 6	11/24/36	8/24/38	Expired
5/20/37	Letter Agmt. extending term of 1/10/35 agmt.	Sup. No. 1 Sup. No. 1 to FPC No. 6	8/25/37	8/24/38	Expired
5/20/37	Letter Agmt. re delivery pressure	Sup. No. 4 to FPC No. 6	8/25/37	8/24/38	
9/25/37	Assignment 1/7/30 contract from United Gas Pub. Serv. Co. to United Pipe Line Co.	Sup. No. 5 to FPC No. 6	9/25/37	8/24/38	
11/ 2/38	Letter Agmt. authorizing modification of Memphis contract re price of gas for Buckeye Cotton Oil Co.	Sup. No. 6 to FPC No. 6	12/ 1/38	12/16/38	Expired
10/28/38	Exhibit Agmt. between United Gas Pipe Line Co. and Memphis Nat. Gas Co. re price of gas for Buckeye Cotton Oil Co.	Exh. A to Sup. No. 6 to FPC No. 6			Expired

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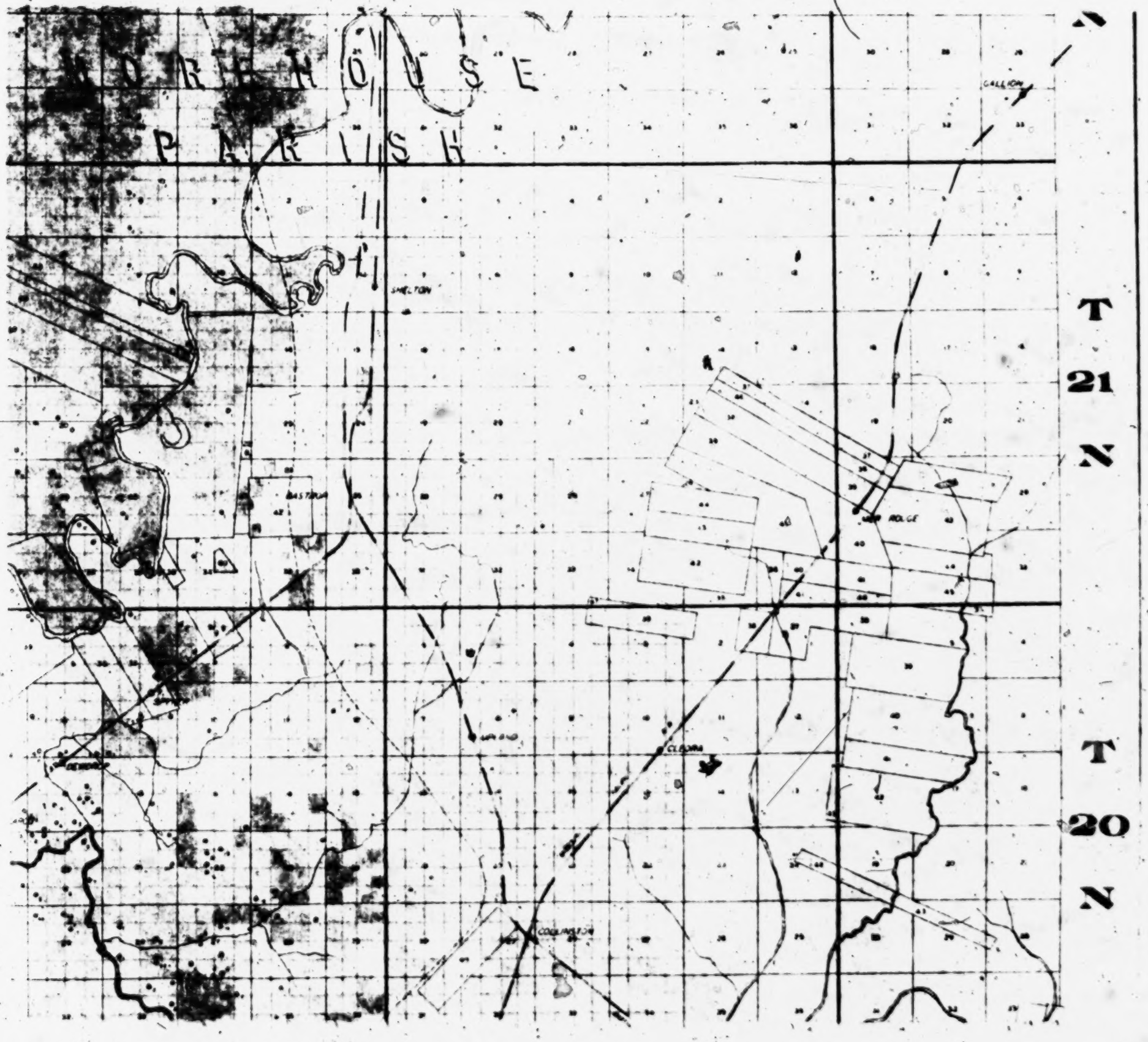
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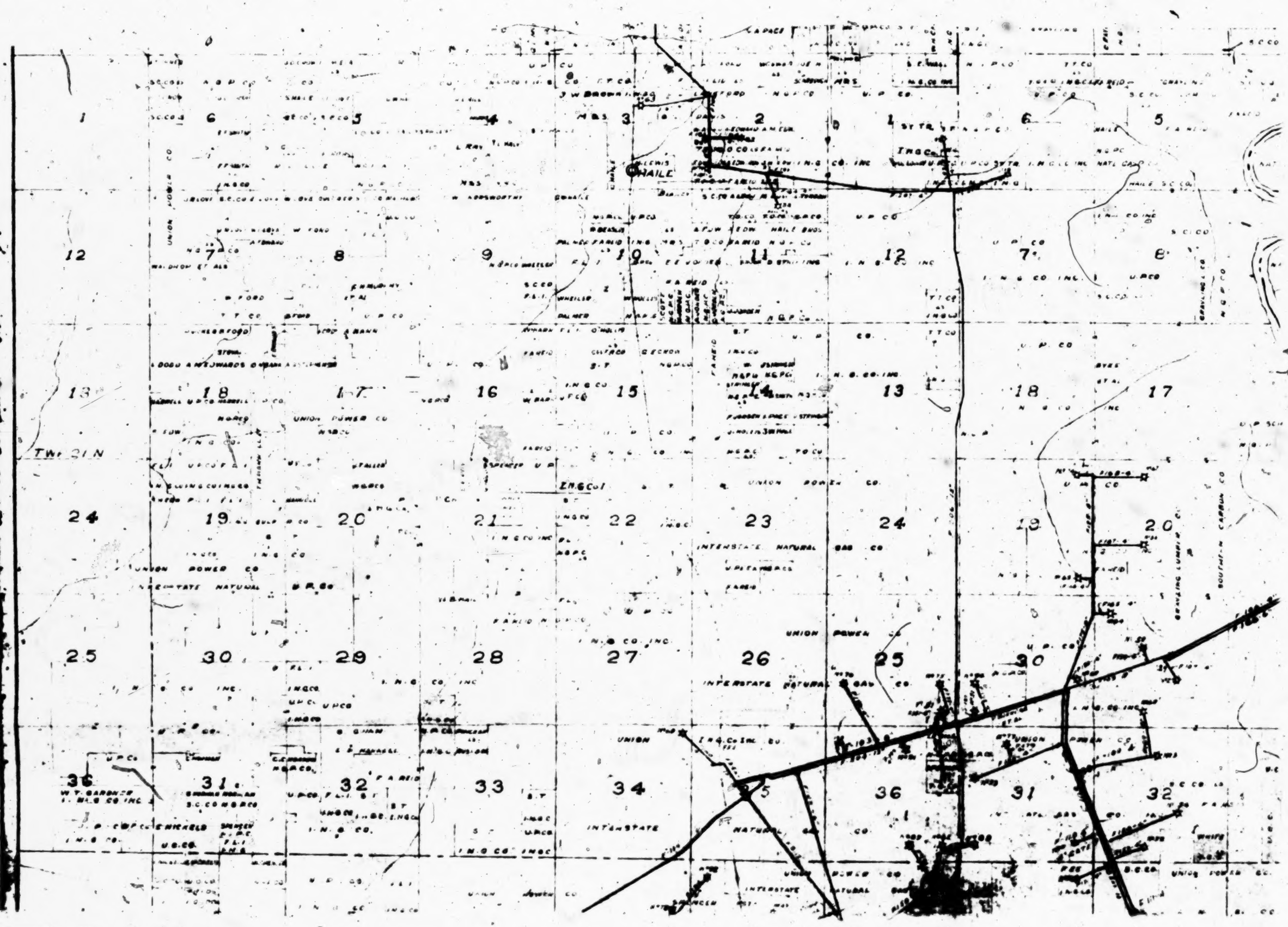
TWP 21 N
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INTERSTATE NATURAL GAS CO
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I.N.G. CO. INC.
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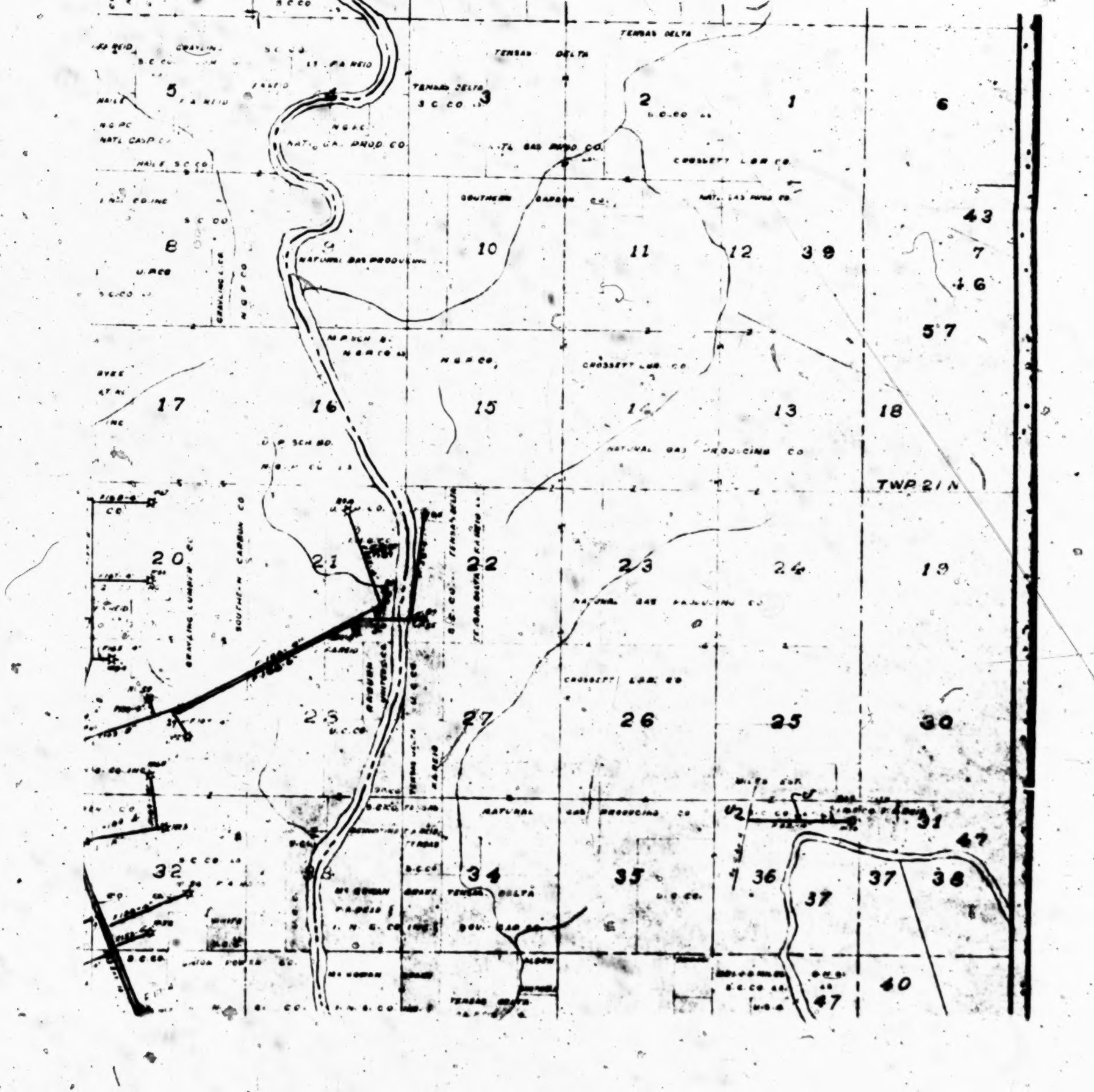
T.T.CO.
N.G.P.C.
N.P.L.CO.
U.P.SCH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NATURAL GAS PRODUCING CO
CROSSETT LBR CO
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GRAVLING LUMBER CO
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NATL CASP CO
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S C CO
U P SCH BD
MT GORDON
PALMER
WHITE
BLOOM

		FPC No. 6			
10/30/39	Letter to Federal Power Commission pursuant to Order No. 57	Sup. No. 1 to Sup. No. 6 to FPC No. 6	12/ 1/39	10/31/39	Superseded
9/28/39	Letter United Gas Pipe Line Co. to Federal Power Commission pursuant to Order No. 57				
12/13/39	Letter between UGPL, Memphis N. G. Co. and Int.	Sup. No. 7 to FPC No. 6	1/ 2/40	2/27/40	
12/26/39	Letter Agt. between Interstate and Memphis re two additional dely. points				
11/ 8/40	Letter to FPC re continuation of 8¢ price of gas for period 1/10/41/42	Exhibit A to FPC No. 6		.....	
10/30/40	Letter to FPC pursuant to Sec. 54.3C.....	Sup. No. 2 to Sup. No. 6 to FPC No. 6 ..... (Supersedes Sup. No. 1 to Sup. No. 6 to FPC No. 6) ..... (Concurrence in United Gas Pipe Line Company Sup. No. 2 to Sup. No. 4 to FPC No. 5)	.....	.....	Expired
9/19/40	Letter United Gas Pipe Line Co. to FPC pursuant to Sec. 54.3C (Buckeye)				
11/ 7/41	Letter to FPC re continuation of 8¢ price of gas for period 1/10/42/43	Exhibit B to Rate Schedule FPC No. 6.....	.....	.....	
3/ 5/42	Letter re War Production Board Limitation Order L-31	Exhibit C to Rate Schedule FPC No. 6.....	.....	.....	

EX. 39.

Interstate Natural Gas Company, Incorporated.

Analysis of Field Sales Contracts, Years 1937 to 1941, Inclusive.

Sold To	1937 M. Cu. Ft.	1937 Billing Price	1937 Revenue	1938 M. Cu. Ft.	1938 Billing Price	1938 Revenue	1939 M. Cu. Ft.	1939 Billing Price
ansas-Louisiana Gas Co.—								
All Gas	334,009	.065	$ 21,710.60	325,656	.065	$ 21,167.65	313,491	To 12/1 .065
thern Natural Gas Company—								
For Resale to Dom. and Unaccounted for..	1,046,227	.081	$ 84,744.35	1,044,187	.081	$ 84,579.16	1,218,889	.081
For Resale to Special Ind. and all other gas	4,575,822	.04	183,032.88	4,250,669	.04	170,026.76	5,467,585	.05
All Gas	.....	..	.....	.....	..	.....	.....	..
Adjustments (Sev. Tax)	.....	..	1,437.60	.....	..	1,436.28	.....	..
Total	5,622,049	.0479	$269,214.83	5,294,856	.0484	$256,042.20	6,686,474	.0559
sissippi River Fuel Corp.—								
All Gas	5,518,252	To 11/21 .06	$331,095.12					
	623,176	11/21 .076	47,361.38	4,812,989	.076	$365,787.16	5,272,265	To 11/21 .076
For Resale to Dom. & Com.	.....	..	.....	.....	..	.....	147,535	11/21 .076
For Resale to Ind., Co. Use and Unacct. for	.....	..	.....	.....	..	.....	700,725	11/21 .08
Adjustments (Sev. Tax)	.....	..	3,292.79	.....	..	2,726.19	.....	..
Total	6,141,428	.0622	$381,749.29	4,812,989	.0766	$368,513.35	6,120,525	.0771
ted Gas Pipe Line Co.—								
Dixie Gulf Gas Co.	1,732,955	.05	$ 86,647.75	1,680,398	.05	$ 84,019.90	1,490,316	To 11/1 .05
Memphis Natural Gas Co.								
Buckeye-Firestone Inds.	227,934	.05	$ 11,396.70	304,096	.05	$ 15,204.80	335,168	To 12/1 .05
							21,600	12/1 .065
Balance	1,940,707	.07	135,849.49	99,976	To 1/10 .07	6,998.32		
				1,750,193	1/10 .08	140,015.44	3,322,028	.08
Balance (ten billion excess)	1,024,504	.05	51,225.19	1,088,330	.05	54,416.49	.....	..
Adjustments (Quota-Avg. rate and Sev. tax)	.....	..	5,769.98	.....	..	7,259.52	.....	..
Total	3,183,145	.0640	$204,241.36	3,242,595	.0690	$223,894.57	3,678,794	.0790
n Line	7,528,298	.0359	$270,583.53	7,043,455	.0356	$250,431.15	7,987,131	.0350

* Includes gas gathering taxes beginning with July 1 (effective date new contract.)

1940				1941			
Revenue	M. Cu. Ft.	Billing Price	Revenue	M. Cu. Ft.	Billing Price		Revenue
$ 20,376.94	0			0			
$ 98,730.04	1,513,546	.085	$128,651.43	869,221	To 7/1	.085	$ 73,883.78
273,379.25	6,776,589	.05	338,829.45	4,484,610	To 7/1	.05	224,230.50
					From 7/1		
.....	.....	..	.....	3,747,111	Comm.	.05	187,355.55
				(134,356)	Demand	.35	47,024.60
				588,682	Excess		36,942.70
				4,335,793			271,322.85
1,855.97	.....	..	2,185.81	.....		..	11,380.61*
$373,965.26	8,290,135	.0567	$469,666.69	9,689,624		.0599	$580,817.74
$400,692.14	.....	...	.....	.....		..	.....
11,212.66	1,107,591	.076	$ 84,176.92	1,369,626		.076	$104,091.58
3,714.12	5,898,701	.08	471,896.08	6,956,934		.08	556,554.72
3,714.12	.....	...	3,854.74	.....		..	4,722.64
$471,676.92	7,006,292	.0799	$559,927.74	8,326,560		.0799	$665,368.94
$ 74,515.80	0			0			
$ 16,758.30	253,773	To 12/1	.065 $ 16,495.25				
1,404.00	29,310	12/1	.08 2,344.80	395,494		.08	$ 31,639.52
265,762.24	3,169,507		.08 253,560.56	3,568,663		.08	285,493.04
.....	.....	..	.....	.....		..	.....
6,739.16	.....	..	6,335.67	.....		..	7,344.61
$290,663.70	3,452,590	.0807	$278,736.28	3,964,157		.0819	$324,477.17
$279,563.00	5,688,333	.0361	$205,281.26	4,759,210		.0347	$165,222.22

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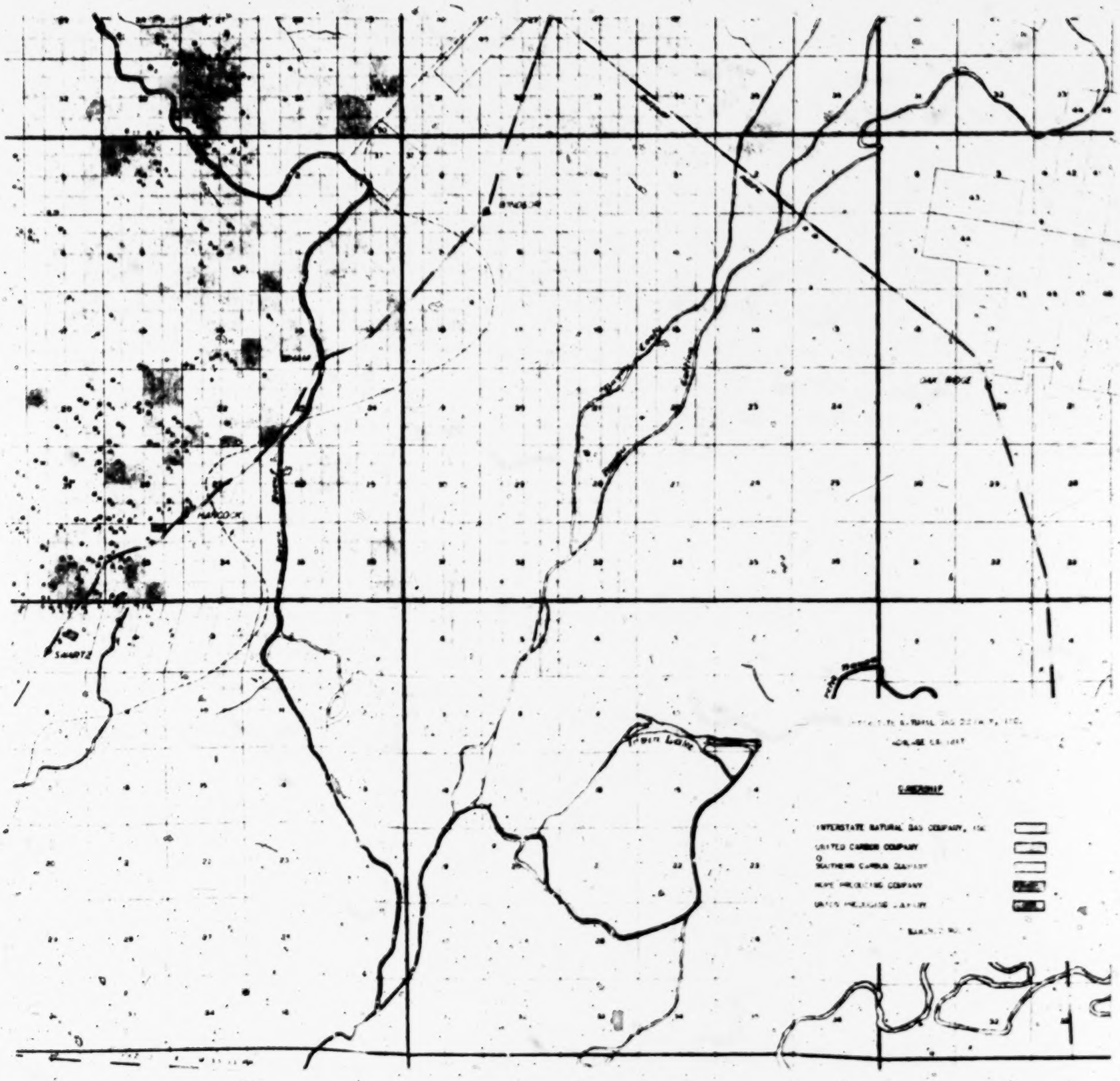
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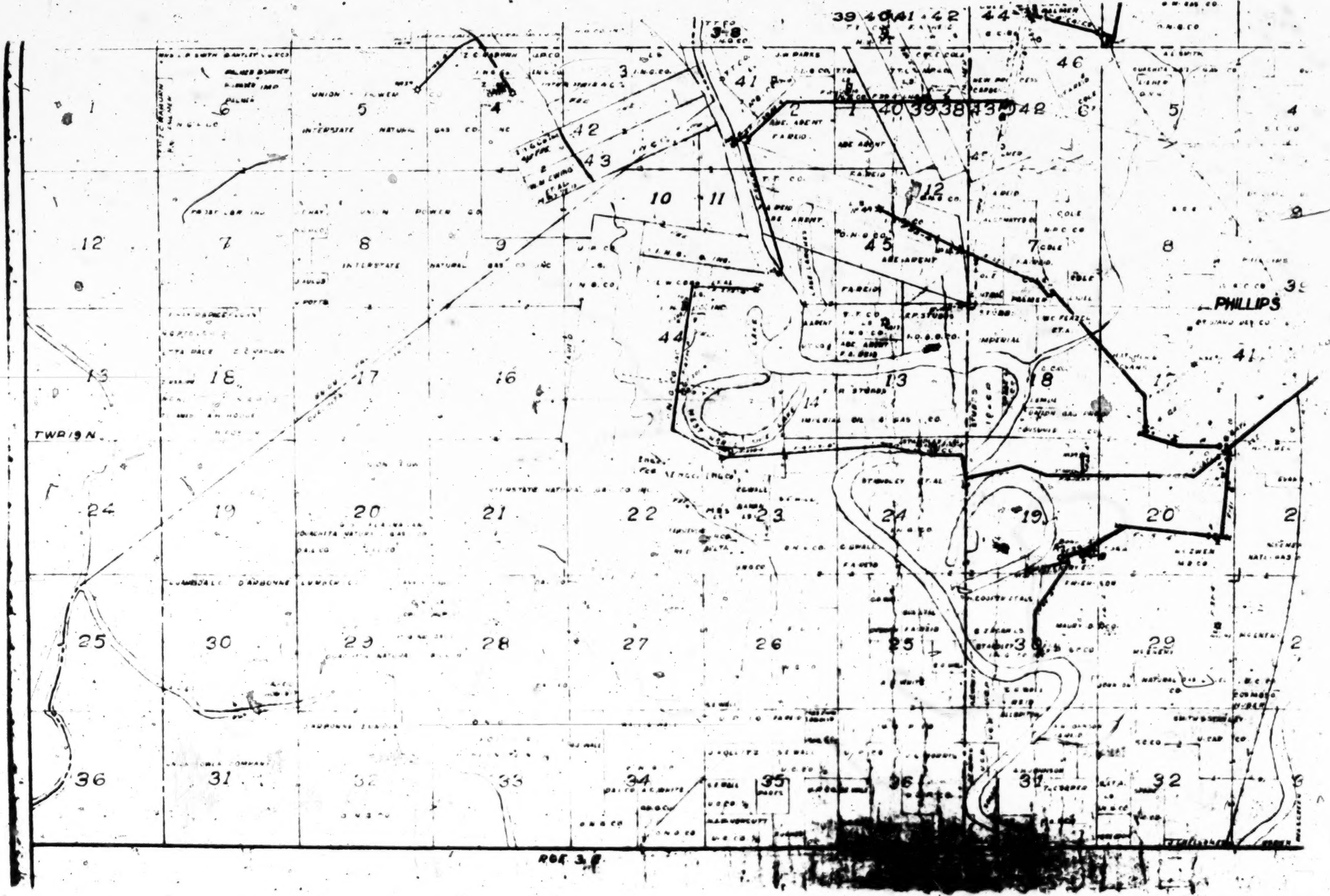
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CROSLEY

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